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ALBERTA MINISTRY OF ENERGY
2002-2003 ANNUAL REPORT

EUB
Alberta Energy and Utilities Board

Alberta
ENERGY

104-02433/

Public Accounts 2002-2003 Preface

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the Government Accountability Act. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 30, 2003 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the Measuring Up report.

This annual report of the Ministry of Energy contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- the financial statements of entities making up the Ministry including the Department of Energy, the Alberta Energy and Utilities Board and the Alberta Petroleum Marketing Commission,
- other financial information as required by the Financial Administration Act and Government Accountability Act, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and
- financial information relating to trust funds.

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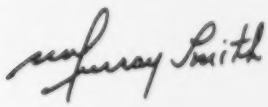
Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2003, was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at September 18, 2003 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Murray Smith, MLA

Minister of Energy

Message from the Minister

In 2002-03 the Alberta Ministry of Energy continued to successfully manage and regulate development of the province's non-renewable and energy resources in the public interest and for the benefit of the resource owners – the people of Alberta.

Highlights included:

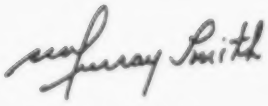
- recognition by a leading industry observer that with Alberta's proven oil sands deposits of 174 billion barrels, Canada now has the world's second largest proven hydrocarbon reserves, after Saudi Arabia;
- higher natural gas and oil prices earned Alberta $7.13 billion in resource revenue, the second highest total ever and nearly one-third of all revenues received by the Crown;
- electricity wholesale prices averaged $55.81 per Megawatt/HR (MW), up from $51.75 (MW) in the previous year, and about 900 MW of new electric generation, including 30 MW of renewable (wind, biomass, etc.) were added to the system; and
- alberta continued to receive strong private sector investment in the conventional oil and gas industry, and Alberta's oil sands.

The Ministry manages and regulates development of the province's non-renewable and energy resources through the Department of Energy and Alberta Energy and Utilities Board. Both bodies were instrumental in the Ministry's success.

Achievements of note included:

- providing energy related expertise and advice to help develop Alberta's Action Plan on Climate Change, a made-in-Alberta response to concerns about greenhouse gases and climate change;
- a mid-term adjustment to the rules governing Alberta's restructured electricity and natural gas markets, designed to level the playing field, attract new competitors and increase options for consumers; and
- the beginning of a cross-ministry review and consultation on coalbed methane - natural gas from coal (NGC) – to determine if existing regulations and policies are appropriate for responsible NGC development in Alberta.

Thank you to all energy sector stakeholders and Ministry staff who contributed their efforts to our achievements in 2002-03. Thank you as well to Mel Knight, MLA, for his work with the U.S. Energy Council and the Canadian Energy Research Institute and for co-chairing, with Brent Rathgeber, MLA, the Task Force on Rural Electrification Association Issues.



Murray Smith, MLA

Minister of Energy

Management's Responsibility for Reporting

The Ministry of Energy includes:

- Alberta Department of Energy (Department)
- Alberta Energy and Utilities Board (EUB)
- Alberta Petroleum Marketing Commission (APMC)

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Energy. Under the direction of the Minister I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Energy any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

K.R. Sit

Ken Smith

Deputy Minister

Department of Energy

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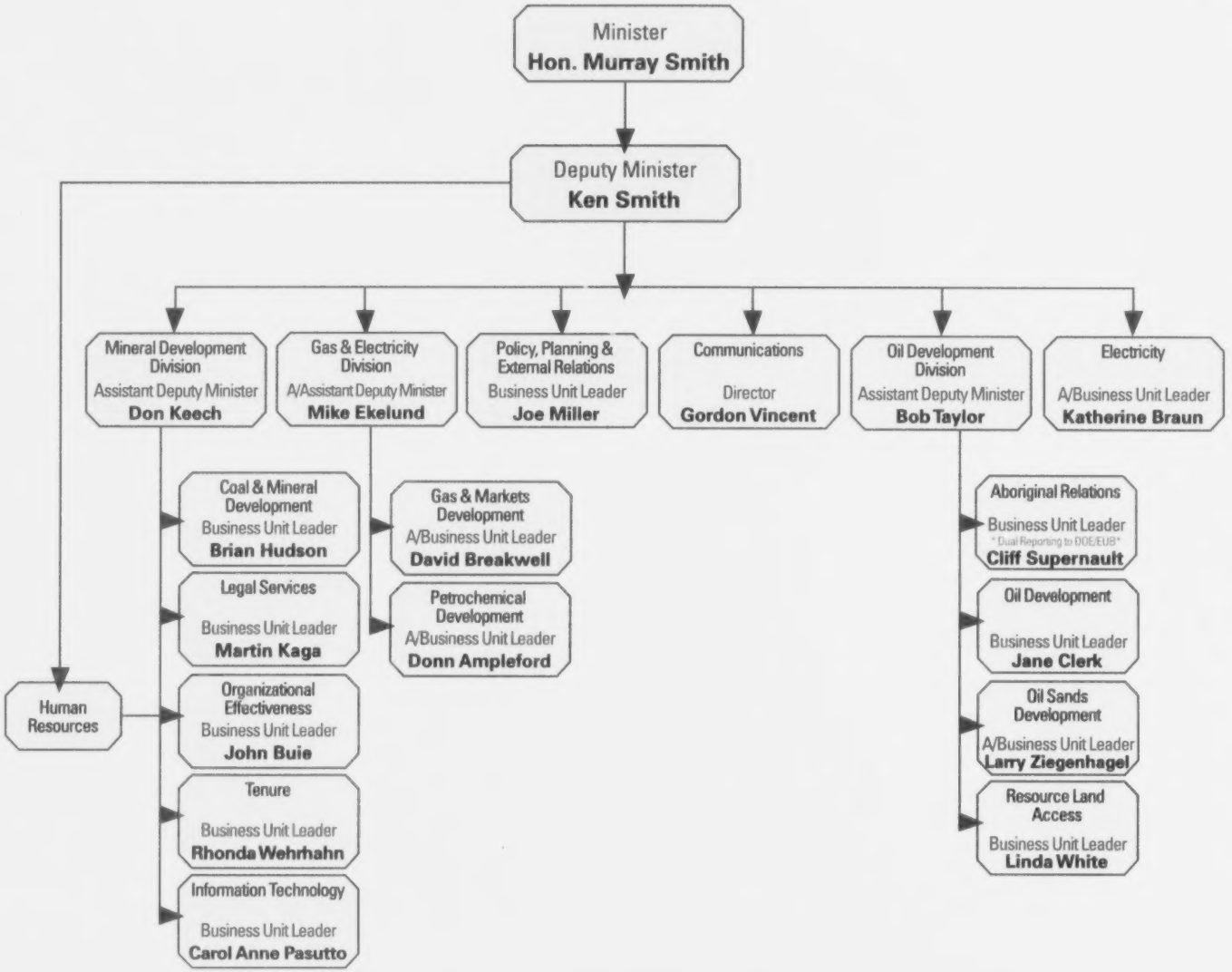
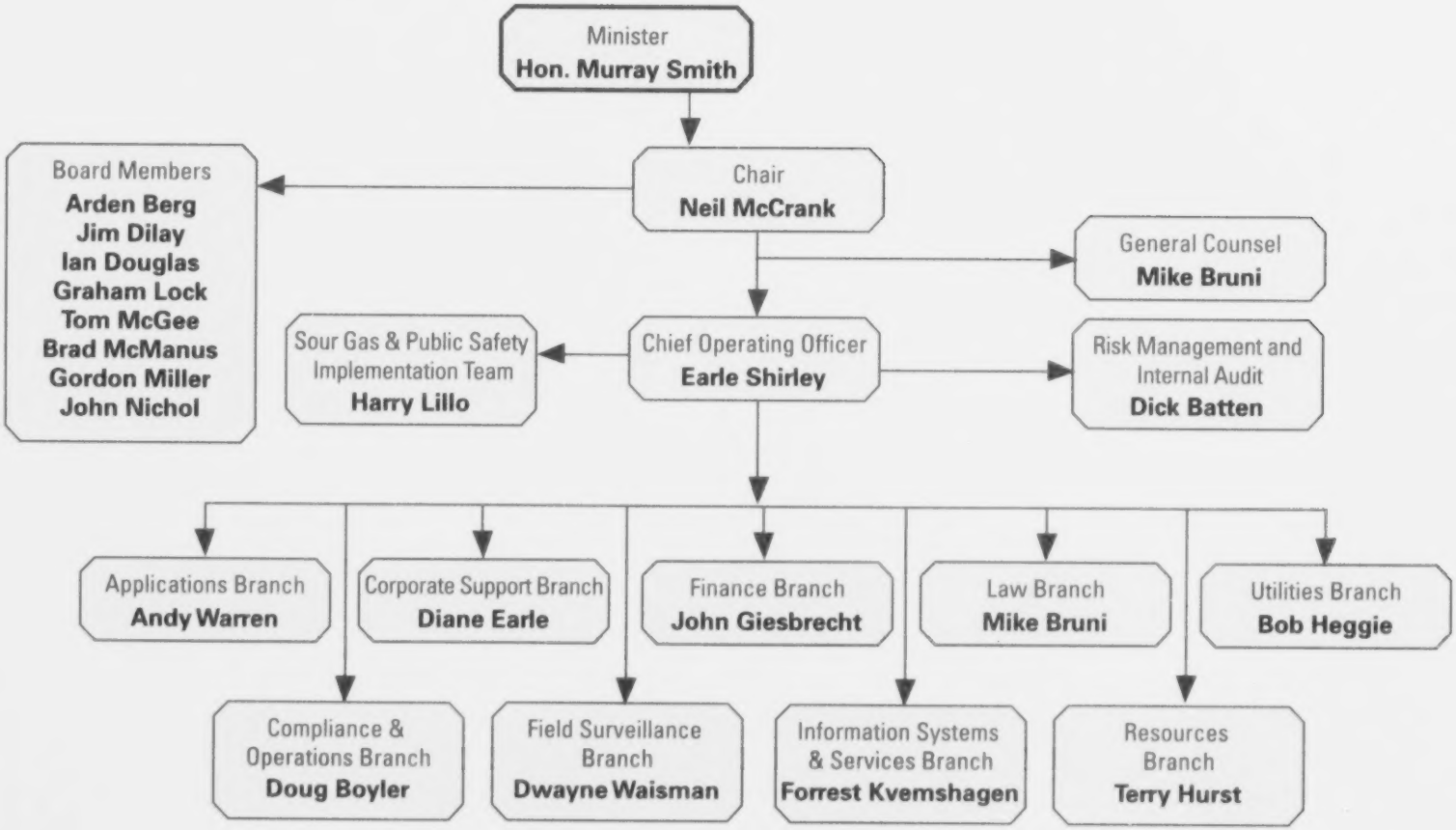
MINISTRY OF ENERGY
ORGANIZATIONAL STRUCTURE

Alberta
ENERGY

Department of Energy (as of March 31, 2003)



Alberta Energy and Utilities Board (as of March 31, 2003)



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DEPARTMENT OF ENERGY
OPERATIONAL OVERVIEW

Alberta
ENERGY

Core Businesses

Albertans own the province's oil, natural gas and other mineral resources. The Department of Energy manages the sustained development of these resources in a responsible manner that maximizes long-term benefits to the province.

Our core businesses are to:

- secure Albertans' share and benefits from energy and mineral resource development;
- ensure Alberta's energy and mineral resources remain competitive and attractive to investment and development;
- increase Albertans' awareness of energy and mineral resource development and related policies, and of the value of resource contributions to Alberta's economy; and
- ensure Alberta consumers have a choice of reliable and competitively priced energy.

Vision – Alberta's competitive environment attracts investment in its energy and mineral resources, for the benefit of present and future Albertans.

Mission – Optimize the sustained contribution from Alberta's energy and mineral resources in the interests of Albertans.

($ millions)	Actual 2002-03	Actual 2001-02	Actual 2000-01	Actual 1999-00	Actual 1998-99	Actual 1997-98
Natural gas and by-products royalty	$ 5,125	4,030	7,200	2,441	1,467	1,660
Crude oil royalty	1,177	987	1,500	1,103	450	903
Bonuses and sale of Crown leases	566	970	1,159	743	464	1,071
Synthetic crude oil and bitumen royalty	183	185	712	426	59	192
Rentals and fees	153	148	147	141	142	189
Coal	10	17	12	15	17	18
Alberta Royalty Tax Credit (ARTC)	(-83)	(-109)	(-144)	(-188)	(-249)	(-225)
Total non-renewable resource revenue	7,130	6,228	10,586	4,681	2,350	3,808
Freehold mineral rights	202	319	256	134	112	131
Other revenue	11	15	4	12	3	2
Total revenue	7,343	6,562	10,846	4,827	2,465	3,941
Operating expenses	(97)	(93)	(80)	(80)	(81)	(70)
Write-down of capital assets	(1)	-	-	-	-	-
Net Department of Energy revenue	$ 7,245	6,469	10,766	4,747	2,384	3,871

Analysis of Key Activities

Non-renewable resource revenue reached $7.13 billion in 2002-03, the second-highest level ever recorded in Alberta. The return on non-renewable resources (not including taxes) represented approximately one-third of total revenues paid to the Alberta government in the fiscal year, providing the funds necessary to deliver important public programs and services. Global and North American price volatility and production levels are primary factors affecting commodity prices and Crown revenue.

The oil and gas industry is a cornerstone of Alberta's economy and a major contributor to the current and future prosperity of Albertans. The Ministry maintains a competitive fiscal and regulatory regime to encourage continued investment in Alberta's energy

resources. The Crown owns 81 per cent of all mineral rights in Alberta, and individual Albertans and private interests own the remaining 19 per cent. The Department is responsible for the development of these resources on behalf of Albertans.

Conventional oil and gas industry investment reached a record $14.7 billion in 2001, and similar levels are

expected for 2002. Oil sands investment increased to $6.0 billion in 2002, up from $5.9 billion in 2001. Investment is a key driver of job creation, business opportunities and overall prosperity for Albertans. In 2002, there were approximately 90,000 people directly employed in Alberta's upstream oil, gas and mining industries. International energy exports, valued at $30.5 billion, accounted for 62 per cent of the value of all Alberta international exports in 2002. Similarly, investment in electricity generation, spurred by Alberta's competitive marketplace, saw an additional 900 MW of generating capacity added in Alberta in 2002-03.

The Department and the EUB successfully launched the Petroleum Registry of Alberta (PRA) in 2002-03. A major initiative, the PRA is an Internet-based reporting system developed in partnership with industry. PRA is a secure shared database that provides a single source of petroleum information, resulting in a streamlined process that has significantly reduced paper flow. A first of its kind in the world, according to the World Petroleum Congress, PRA is drawing global interest.

Alberta's global profile as a major energy supplier was raised as a result of efforts to promote and explain oil sands potential to audiences outside Alberta. Towards the end of the year, the Minister and senior Department officials made numerous presentations to industry and government officials from the United States, Canada, Mexico, South America and elsewhere. In December 2002, the *Oil & Gas Journal*, a respected industry publication, and later the United States Energy Information Administration, included Alberta's oil sands reserves in their reserves reporting. The world now recognizes Canada's proven oil reserves to be 180 billion barrels (176 billion barrels in Alberta), providing Canada with the second largest proven reserves in the world (after Saudi Arabia), and 15 per cent of global reserves.

Climate Change and the potential impact of the Kyoto Protocol were major points of focus during the year, requiring considerable effort from the Department. Strategic information, analysis and advocacy was provided in support of Alberta's position, as well as assistance in developing Alberta's Climate Change Action Plan. Alberta government actions played a role in the federal government committing to significant limits on energy industry costs and greenhouse gas reductions. The Department is working with the energy industry, Climate Change Central, the Alberta Energy Research Institute and other departments in the Alberta government, to develop solutions for the capture, transport, storage and use of carbon dioxide (CO_2). The government is committed to reducing CO_2 emissions intensity and expanding the potential uses of CO_2 to increase resource recovery.

A new *Electric Utilities Act* (EUA) was introduced in 2002-03. The new Act is an important legislative package, especially as electricity industry restructuring influences every sector of Alberta's economy, and every Albertan. Policies reflected in the Act are the result of two years of development designed to

continue building a more efficient and reliable electricity industry structure. Change is expected to level the playing field for industry, enhance retail market competition and improve alignment between the natural gas and electricity sectors.

The Department continues to emphasize effective public communication and increased awareness of energy topics. The Public Information Centre responded to more than 7,300 letters, mail enquiries and telephone calls. Topics included electricity restructuring, natural gas rebate programs, utility billing questions and general energy information.

Other Highlights

- A new Natural Gas Liquids (NGLs) royalty regime was implemented as planned in October 2002, ensuring Albertans continue to receive full and fair value for their resources. Industry now reports the breakdown of ethane, propane, butanes and pentanes in the gas stream and pays a royalty that recognizes the NGL components.
- A new Mineral Development Strategy was developed and approved by government. The strategy outlines the vision, goals and strategic directions required to enable orderly, environmentally-responsible exploration and development of non-energy minerals in Alberta.
- A strategy for oil and gas development in the Eastern Slopes was designed with the departments of Environment, Sustainable Resource Development and Economic Development.
- The Department continued to help implement the Government of Alberta's Aboriginal Policy Framework, by introducing five new Natural Resource Initiatives (NRIs) to promote training leading to Aboriginal employment in natural resource industries.
- The Department was instrumental in initiating and facilitating workshops to establish a method for assuring the security preparedness of Alberta's energy infrastructure. Participants included representatives from industry, the Alberta Energy and Utilities Board and departments from the Alberta and federal governments. By year's end, security specialists had conducted site visits to all identified critical energy-related sites.
- A Department-wide Business Resumption Plan was developed.
- The Department worked with Alberta Economic Development to prepare a new value added strategy for Alberta, and with International and Intergovernmental Relations on trade missions to Mexico, the United States and Southeast Asia. As well, the Department hosted delegations from Russia, Mexico and China and sent representatives to the World Petroleum Congress in Brazil.
- Resources were allocated to assist in the development of Alberta's Kyoto Information Campaign. Following an extensive campaign on the potential impacts of the Kyoto Protocol on Alberta's oil and gas industry and, by extension, on the provincial economy, a survey released in November 2002 showed 72 per cent of Albertans felt the federal government should withdraw from Kyoto. The Department continues to campaign against the negative impacts of the Kyoto Protocol, particularly the impact it may have on oil sands investment.

Commodity Business Units

The Department has responsibility for a diverse resource development portfolio that includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal and minerals. To effectively manage the development of these commodities, the Department has organized itself along eight primary business lines and a number of business support units. This structure builds knowledge and strengthens communication among Alberta Energy's business areas, and with Alberta's resource industries. It also allows for the direct allocation of resources and fiscal accountability by each business line, and the direct linkage of Department spending with revenues generated by each of the business lines.

Natural Gas

The Natural Gas business unit promotes and encourages responsible exploration and development of reserves, calculates and collects gas royalties and provides business analysis to ensure Albertans get full value from the resource. It also promotes the safe and orderly development of natural gas distribution systems.

Highlights

Alberta accounts for about 80 per cent of the natural gas produced in Canada — itself the world's third-largest producer of natural gas. In 2002, about 25 per cent per cent of Alberta's gas was delivered to other provinces and 50 per cent to the U.S. Natural Gas royalties accounted for 70 per cent of total non-renewable resource revenues.

Over 5.0 trillion cubic feet (Tcf) of marketable gas was added to Alberta's recoverable reserves in 2002, nearly matching production of 5.02 Tcf. Remaining established reserves of gas remained at 42 Tcf. Additions are a result of discovering new reserves and reassessing reserves that have already been discovered.

Economic and technological developments are expected to expand Alberta's base of conventional gas resources. A report was completed on coalbed methane potential in Alberta, and consultations about how to develop it are planned with Albertans. If proven viable, development and extraction of coalbed methane could significantly add to Alberta's recoverable reserves of gas.

Changes were made to the *Gas Utilities Act* to implement refinements to natural gas customer choice. Changes will level the playing field, enhance retail market competition, improve alignment between the natural gas and electricity sectors and ensure a continued regulated default supply for customers who do not sign contracts with retailers.

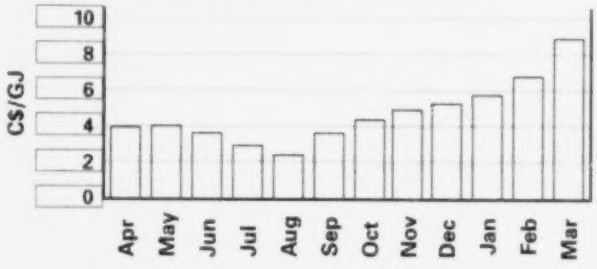
By the numbers

Marketable natural gas production declined slightly in 2002-03, from 5.22 trillion cubic feet (Tcf) to 5.02 Tcf. Natural gas royalties were $5.13 billion, up from $4.03 billion in the previous year.

There were 8,064 gas wells drilled in 2002, down from 9,750 the year before. Drilling activity picked up dramatically in the last quarter of fiscal 2002-03, as a result of sustained high natural gas prices.

The price of natural gas was low for the first part of the year but peaked late in the fiscal year. At $4.72 per gigajoule (GJ), the Alberta Reference Price (calculated as an annual average) fell short of the $5.50 mark at which rebates may be considered for Alberta consumers.

Fiscal 2002-03
Alberta Natural Gas Reference Price



The Alberta Gas Reference Price is a monthly weighted average of an intra-Alberta consumers' price and an ex-Alberta border price, reduced by allowances for transporting and marketing gas (Gas Royalty Guidelines 1994).

Conventional Oil

The Conventional Oil Business Unit promotes and encourages exploration and development of reserves, calculates and collects royalties from producers and markets the Crown's share of crude oil production through private sector marketing agents.

Highlights

In 2002, the price of oil averaged $29.12 (US) per barrel.

Alberta's crude oil royalties in fiscal 2002-03 totaled $1.18 billion, up from $987 million the previous year, due mainly to higher prices. Oil royalties accounted for 17 per cent of total non-renewable resource revenues.

Some 127 million barrels of crude oil were added to Alberta's recoverable reserves in 2002. Production outstripped additions, however, contributing to a 6 per cent decrease in the remaining established reserves of 1.6 billion barrels

The Crown's royalty on conventional crude is taken in kind (the Crown takes a share of the crude oil), which

is then sold through private sector marketing agents. New Marketing Agent Agreements were signed and came into effect on June 1, 2002. Marketing agents have been an effective means to get the best price for the Crown's crude oil since 1996, when the province started to use marketing agents.

The Department consulted with industry on changes to its royalty programs to encourage carbon dioxide injection into petroleum reservoirs for enhanced oil recovery (EOR) in Alberta. These consultations are expected to result in a CO_2 Projects Royalty Credits Program that will provide financial support to projects that demonstrate value added uses of CO_2 in oil and natural gas recovery.

By the numbers

In 2002, conventional oil production of light, medium and heavy crude accounted for just over 43 per cent of Alberta's total crude production. Oil sands (bitumen, upgraded crude), pentanes and condensates made up the balance.

Alberta's conventional oil production of 660,400 barrels per day represented an 8 per cent drop from 2001 levels. Total crude and equivalent production of 1.53 million barrels per day in 2002 represented about 65 per cent of Canada's total output.

Exports to the US were 1.02 million barrels per day.

Oil Sands

Oil Sands promotes development and manages the Crown's interest in Alberta's extensive oil sands deposits. This includes planning and liaison with government and industry, and management of oil sands land tenure and royalty programs.

Highlights

During the year, the Minister and Department officials focused effort on increasing awareness of Alberta's energy resources throughout Canada, the U.S. and internationally. The full picture of Alberta's oil sands reserves was recognized in the December 23, 2002 issue of *Oil & Gas Journal*, which reported proved oil reserves in Canada at 180 billion barrels. The new accounting ranks Canada second in the world in total proven oil reserves.

Oil sands production of bitumen and synthetic crude increased in 2002-03 for the fourth consecutive year, rising from 645,000 barrels a day to a record high of over 740,000 barrels a day, according to the Energy and Utilities Board. Production of raw bitumen (before mined bitumen is upgraded to synthetic crude) reached a record high of over 800,000 barrels per day. Oils sands production in 2002 was also greater than conventional oil production for the first time. The market for bitumen and synthetic crude oil is Western Canada and the mid-Western US.

By the numbers

Oil sands royalties in 2002-03 were approximately $183 million, compared to $185 million the previous year. Oil sands investment in 2002 was $6.0 billion.

Alberta has the largest oil sands resource in the world. Current estimates indicate that about 174 billion barrels (bbls) are recoverable with today's technology and economic conditions. This is 100 times larger than Alberta's remaining established conventional oil reserves.

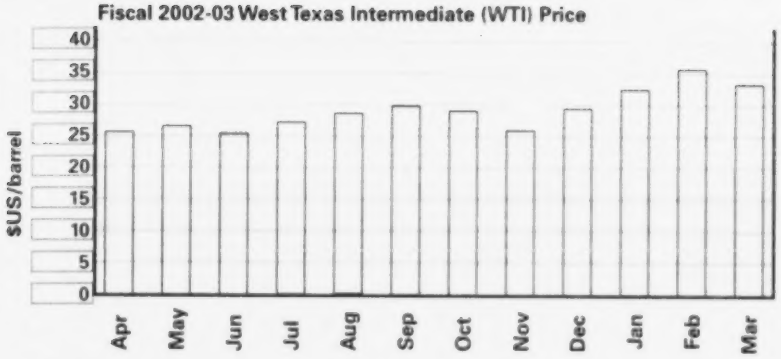
Electricity

The Electricity Business Unit is responsible for developing a framework for the electricity market that ensures Albertans receive long-term reliable supplies of competitively priced electricity.

Highlights

Fine-tuning of Alberta's restructured electricity market occurred through the introduction of a new *Electric Utilities Act*. The Act reflects two years of policy development to create a more efficient and reliable electricity industry structure. Alberta's electricity industry structure was enhanced with a new market operator called the Independent System Operator (ISO) that will operate the competitive power pool and assume responsibility for transmission system planning and development.

The Department released a set of principles for Electricity Export to provide clarity for investors and consumers.



By the numbers

The Power Pool of Alberta reported that electricity prices averaged $55.81 per Megawatt-hour (MWh) or 5.6 cents per kilowatt-hour (kWh) in fiscal 2002-03. This compares with an average price of $51.75 or 5.2 cents per (kWh) in the previous fiscal year. A number of factors explain the slightly higher average price during the 2002-03 fiscal year, including above-average prices for natural gas in both Canadian and US markets.

The 2002-03 fiscal year saw 900 Megawatts (MW) of new power come onstream, bringing Alberta's installed capacity to 11,400 MW (excluding ties to B.C. and Saskatchewan). Installed capacity is comprised of 48 per cent coal, 28 per cent natural gas, 15 per cent other conventional sources and 9 per cent renewable energy (e.g., wind power).

Petrochemical Development

The Petrochemical Development Business Unit monitors the supply of petrochemical feedstock in Alberta and works with Alberta Economic Development to promote and advocate sustainable energy resource development opportunities in the petrochemical sector for Alberta.

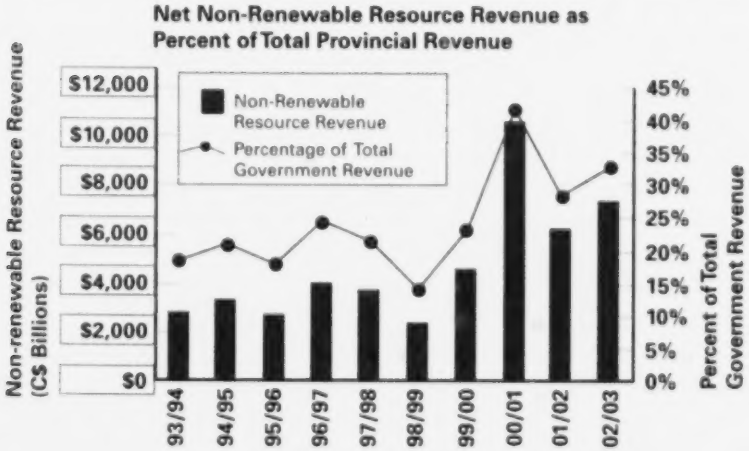
Highlights

Representatives from industry and the departments of Energy and Economic Development continue to evolve a sector team focused on petrochemicals and value-added derivatives. Initiatives include a framework, created with industry participation, to assess the status of Alberta's petrochemical industry over the next several years and look at current issues and challenges. The team is also examining the potential for non-conventional feedstock, mainly from oil sands – an area expected to show strong growth.

Alberta's current supply of ethane will continue to sustain the petrochemical industry for a number of years.

By the numbers

The Petrochemical industry is one of Alberta's largest manufacturing sectors, accounting for over $3 billion in exports and direct employment for over 6,400 Albertans.



Coal and Mineral Development

The Coal and Mineral Development Business Unit manages solid mineral resources such as coal, metallic minerals, salt, diamonds, ammonite shell and various stone and rock resources, such as limestone. Responsibilities include leasing mineral rights, collecting royalties, developing business rules and recommending policies and regulations.

Highlights

The Mineral Development Strategy was completed and approved as a non-energy mineral policy for Alberta. It outlines the vision, goals and strategic directions required to enable orderly, environmentally responsible exploration and development of non-energy minerals in the province.

Approximately 75 per cent of coal mined in 2002-03 was for electricity generation in Alberta. Approximately 48 per cent of Alberta's electricity generation capacity is coal-fired.

Alberta's key offshore market for metallurgical coal are the steel industries in Japan, Spain and Taiwan. Under current market conditions, low prices and fierce competition from Australian and Chinese suppliers make export conditions economically unfavourable for Alberta coal.

By the numbers

Alberta has enough coal reserves to meet our current consumption level for 1,000 years. Alberta's marketable coal production in 2002 totaled 30.6 million tonnes from eight mines.

The Department issued 432 mineral exploration permits during 2002-03, bringing the total area in Alberta staked for mineral exploration to 11 million hectares. Of the permit total, an estimated 80 per cent was for diamond exploration.

Tenure

The Tenure Business Unit leases and administers the Crown's conventional petroleum and natural gas rights. Responsibilities include posting requests for petroleum and natural gas rights, license validations and lease continuations, contract negotiations and collecting rents and offset compensation. Tenure also assesses and collects the Freehold Mineral Tax levied on freehold properties that produce petroleum and natural gas.

Highlights

Revenues from land sales totaled $566 million in 2002-03, down from $970 million in the previous year. The average price paid per hectare was $209.98 for petroleum and natural gas sales and $154.27 for oil sands leases. Averages were down from 2001-02, but picked up in the last half of the fiscal year as oil and gas prices increased.

Crown petroleum and natural gas rights are issued in the form of licenses or leases offered through a competitive sealed bid auction process that includes public offerings every two weeks. Alberta issued licenses and leases to over 2.6 million hectares of land for conventional oil and gas development in 2002-03, and to an additional 100,000 hectares for oil sands developments. An electronic business (e-business) initiative was approved during the year. The three phase plan will be implemented over the next several years and eventually see all electronic submissions of transfers, posting requests and on-line bidding conducted through a secure e-business environment.

By the numbers

The Crown owns 81 per cent of the province's mineral rights. The remaining 19 per cent is 'freehold' owned by the federal government on behalf of First Nations or in national parks, and by individuals and companies.

The Department issued 16,057 well licenses in 2002-03, up from 14,239 in 2001-02.

There were 9,772 requests received for petroleum and natural gas postings through public offerings, down from 10,596 in 2001-02. This is consistent with lower industry activity at the beginning of the fiscal year.

Resource Land Access/Aboriginal Relations

The Resource Land Access Business Unit acts for the Department on government-wide initiatives directed towards sustainable development and on issues

pertaining to Indian land claims and Aboriginal consultation. Aboriginal Relations acts for the Department on resolving conflicts relating to access and assists with Aboriginal community participation in resource development.

The Business Unit supports processes that ensure fair and timely access to resources and, provides expertise in resolving mineral ownership. As well, it provides geological and engineering expertise for resource development initiatives and helps to address access to resources located in environmentally sensitive areas. The Business Unit also facilitates strong working relations between industry and Aboriginal groups and works to establish pilot training projects to help Aboriginal people both manage natural resources on reserves and obtain employment in the resource sector.

Highlights

The Department worked on recommendations for four access management plans, four endangered species initiatives and a reserve review process, and policy on access and protected areas, increasing opportunities for petroleum and natural gas exploration and development.

Energy continues to contribute to inter-departmental work regarding Integrated Resource Management, development of an Alberta water strategy and guidance for development in oil sands areas.

The Department continued to help implement the Government of Alberta's Aboriginal Policy Framework by introducing five new Natural Resource Initiatives (NRIs) to promote training that leads to Aboriginal employment in natural resource industries. Training for Aboriginals seeking employment in the petroleum industry was provided in Wabasca, Alexander, Red Earth and Atikameg.

Along with Aboriginal Affairs and Northern Development and Sustainable Resource Development, the Department played a key role – to secure approval to proceed with Aboriginal consultation guidelines for resource development.

By the numbers

87.5 per cent of Alberta is accessible for resource development.

Business Support Units

Communications

Communications provides support in the areas of communications planning, issues management, media relations, public relations, writing, advertising and public information.

Highlights

The Public Information Centre has responded to more than 1,800 letters, over 1,300 Emails and 4,077 telephone calls in 2002-03. Topics of enquiry include electricity restructuring, natural gas rebate programs, billing problems and general energy information.

Information Technology

Information Technology provides expertise and support in the areas of technology and infrastructure, business needs and processes, and system development.

Highlights

The Department expanded access to information and services through its Electronic Transfer System (ETS). Land searches and Title searches increased by 16.5 per cent during the fiscal year, reflecting approximately 178,312 transactions.

Electronic fillings of gas royalties through ETS increased by approximately 10.5 per cent this year, reaching 9,847 requests.

With the implementation of the Petroleum Registry of Alberta, (PRA), the volume of paper output related to gas royalty invoices and supporting details was reduced from 6 million lines to 1.6 million lines.

The Department continues to observe growth in industry and public use of our Internet site.

By the numbers

An average of 800 calls per month were received by the IT Helpdesk; 58 per cent were resolved on the day received, while 27 per cent were resolved within five days.

During the 4th Quarter of 2002-03 (the first quarter it was fully operational), PRA provided the Department with 227,016 files representing 2.6 million transactions processed across five applications.

Mineral Revenues Information System (MRIS) output volumes increased 14.3 per cent over the previous fiscal year.

Legal Services

Legal Services offers analysis and advice on a range of legal and regulatory matters. The business unit monitors and promotes Alberta's interests in energy transportation and transmission, particularly in relation to access and tolling for facilities outside Alberta and on the Nova Gas Transmission System. The business unit also ensures fair and objective handling of appeal and dispute resolution processes for industry and objections about royalty calculation. As well, it monitors, supports and reports on the Department's legislative planning and regulatory review processes.

Highlights

Support was provided for several of the Department's legislative initiatives, including the *Energy Information Statutes Amendment Act, Electric Utilities Act, Gas Utilities Statutes Amendment Act* and the *Energy Statutes Amendment Act*. Additional support was provided to help prepare regulations accompanying the Acts, as well as regulations implementing the Petroleum Registry of Alberta, facilitating a royalty regime that better recognizes the value of in-stream natural gas liquids and encouraging the injection of CO_2 for enhanced recovery.

Legal Services also helped prepare major agreements securing the services of agents to market the Crown's royalty share of crude oil, and to address the consequences of the shut-in of natural gas in the Surmont oil sands area. As well, Energy's legal input was provided on a number of interdepartmental initiatives, including the *Security Statutes Amendment Act*, Bills 32 and 37, and Aboriginal initiatives, including consultation.

Monitoring, analysis and representation were provided with respect to regulatory proceedings affecting Alberta's jurisdiction to manage the development of energy resources, and in connection with outside events – the California energy crisis, for example, and the collapse of the Enron companies. Support was also provided to position Alberta as a "hub" for transporting natural gas from Alaska and Canada's north.

Organizational Effectiveness

Organizational Effectiveness enables and facilitates the achievement of corporate goals by providing expertise in financial services, records and information management, scenarios and forecasting, human resources, and compliance and assurance.

Highlights

A Business Resumption Plan was prepared to serve as Energy's overall emergency response structure. The plan enables activation of other specialized emergency response plans.

A government-wide survey, conducted in the fall of 2002 found 85 per cent of Department personnel are satisfied with their employment, and that 87 per cent of staff would recommend Alberta Energy to others as an excellent place to work.

The Department completed 295 audits of resource based companies, resulting in net royalty recoveries of $135.5 million.

A first survey was conducted in 2002 to gauge industry satisfaction with information provided by the Department. Results showed 92 per cent are satisfied with our information management, well above industry standards, and the Department's 90 per cent target.

Policy, Planning and External Relations

Policy, Planning and External Relations provides services in the areas of business and strategic planning, performance measurement, policy development, issues management and external relations.

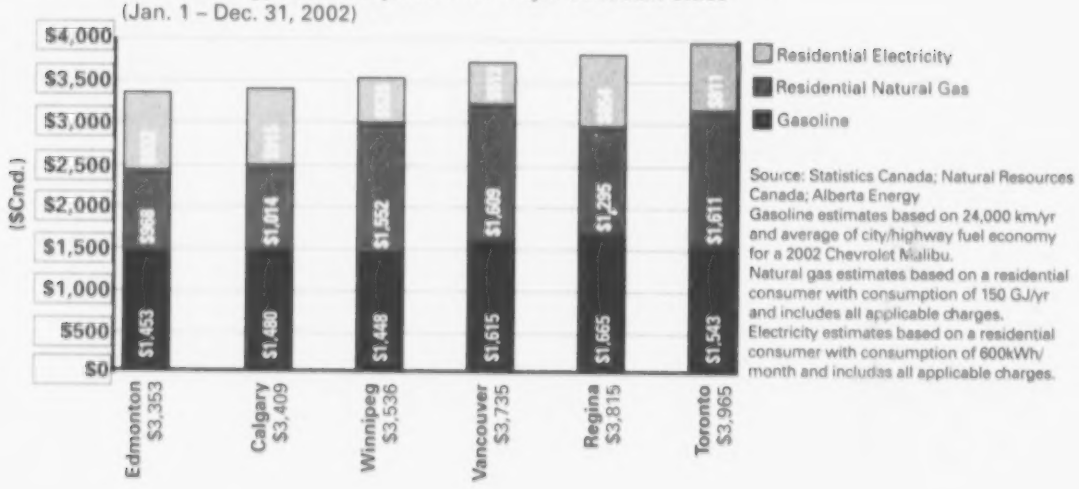
Highlights

The Department continued to participate on the federal, provincial and territorial committee on international energy issues, in an effort to influence continental energy matters and the work of the North American Energy Working Group. The Department also participated in and hosted numerous briefing sessions with senior officials from other countries making official visits to Alberta, including the United States, Mexico and key OPEC countries. As an indication of

support received from several OPEC ambassadors, Alberta was encouraged to attend and observe a future OPEC meeting.

Other efforts included supporting the Minister and Premier on petroleum-related missions to New York, Washington, Mexico and Brazil that were designed to raise awareness of and participation in Alberta's energy economy. The Department also ensured an Alberta presence at major international conferences on non-conventional oil and pipelines, and at several national and North American events related to energy.

Annual Energy Cost Comparison for Major Canadian Cities
(Jan. 1 – Dec. 31, 2002)



Source: Statistics Canada; Natural Resources Canada; Alberta Energy
Gasoline estimates based on 24,000 km/yr and average of city/highway fuel economy for a 2002 Chevrolet Malibu.
Natural gas estimates based on a residential consumer with consumption of 150 GJ/yr and includes all applicable charges.
Electricity estimates based on a residential consumer with consumption of 600kWh/month and includes all applicable charges.

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DEPARTMENT OF ENERGY
RESULTS ANALYSIS

Alberta
ENERGY

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Information

To the Members of the Legislative Assembly

In connection with the Ministry of Energy's performance information included in the 2002-2003 Annual Report of the Ministry of Energy, I have:

1. Agreed information from an external organization to reports from the organization or where information is reported as not available, confirmed that the information is not available.

2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.

3. Checked that the presentation of results is consistent with the stated methodology.

4. Checked that the results presented are comparable to stated targets, and information presented in prior years.

5. Checked that the key performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2002.

As a result of applying the above procedures, I found the following exceptions:

- There was no data survey available for three measures, Albertans' Understanding of Alberta's Energy and Mineral Resources and Their Economic Significance, Industry Satisfaction, and Information Management. Therefore, I was not able to complete procedures 2 to 5 for these measures.

These procedures, however, do not constitute an audit and therefore I express no opinion on the performance measures included in the 2002-2003 Annual Report of the Ministry of Energy.

Fred J. Dunn FCA

Auditor General

Edmonton, Alberta

August 1, 2003

Discussion of goals, performance and results

Performance Measure

Sharing the Profits from Resource Development

Target

20 per cent to 25 per cent of industry's annual net operating revenue

Results

Actual Crown Revenue Share					
1996	1997	1998	1999	2000	2001
23%	22%*	22%*	21%	22%	24%

Source: Developed from information in Energy Update Industry Fundamentals Report published by Ross Smith Energy.
*The actual figure for 1997-98 changed from 23% to 22% due to revisions in the base data provided by Ross Smith Energy in Q1 2003.
(Three year moving average – calendar year)

Discussion

Alberta's resource development system is intended to capture a fair share of the revenue from the development of resources, for the benefit of Albertans, while encouraging continued industry investment in, and development of, Alberta's resources. For oil and natural gas, an indicator of this balance is the portion of industry's annual net operating revenue that is paid to the Crown as royalty. The percentage increased in 2001.This was due to strong prices for non-renewable resource commodities over the past several years which has resulted in increased industry activity. This high industry activity and strong commodity prices have resulted in strong industry net operating revenues and, therefore, near record Crown royalties.

Data from Ross Smith Energy is used in the compilation of the Sharing the Profits performance measure. Prior to 2001, ARC Financial was the data provider. ARC Financial sold their industry model to Ross Smith in 2001. Ross Smith Energy specializes in industry and company valuation and metrics and maintains an industry financial model. The Department of Energy uses data from this model to calculate the Sharing the Profits performance measure. The calculation divides Crown Royalties (gross royalty and Freehold Mineral Tax minus Alberta Royalty Tax Credit) by Industry Net Operating Revenue (total operating revenue minus current taxes, operating costs and general and administration expenses).

Operating costs and royalties are derived from data in the Canadian Association of Petroleum Producers (CAPP) statistical handbook, which is updated each autumn with the addition of the previous year's information as well as any adjustments to previous years. Revenue is based on actual prices and CAPP sourced production data. The CAPP data set is collected for CAPP by Statistics Canada through a survey of industry, which included 95% of the industry by production.

Ross Smith calculates the current income tax and large corporation tax based on its industry database of 190 Exploration and Production companies. This is a proprietary database.

The ARTC figures are received from the Department of Energy and translated by Ross Smith Energy from fiscal year to a calendar year basis.

Performance Measure

Crown Revenue Assurance

Target

To ensure the completeness and accuracy of Albertan's Non-Renewable Resource Revenues – audit adjustments to be less than 2.0 per cent.

Results

Audit Adjustments as a Percentage of Department Resource Revenues (three-year moving average)

Actual				
98/99	99/00	00/01	01/02	02/03
2.0%	2.2%	1.7%	1.6%	1.9%

Source: Compliance and Assurance, Alberta Department of Energy

Notes: Resource revenues are based on the fiscal revenues as reported in the externally audited Annual Report. Audit adjustments are accumulated on the basis of completed audits in the current year. These audits consist of prior years' filings subject to the limitations of the *Mines and Minerals Act*. For this goal, reporting is done on an annual basis.

Discussion

The Department audits Crown non-renewable resource revenues and allowable costs to ensure these are complete, accurate and fairly valued. As a result of these audits, adjustments may be made resulting in a refund or the assessment of additional revenue. This performance measure expresses the annual total dollar value of audit adjustments as a percentage of reported Department of Energy resource revenues(royalties and freehold mineral tax). It is a measure of industry's understanding of, and compliance with, Alberta's resource revenue regime. Even though resource revenues have been very high during the past number of years, the target has still been met. 295 audits were conducted on resource based companies during the 2002-03 fiscal year, resulting in recoveries of $135.5 million.

Performance Measure

Resource Competitiveness. This measure is being developed and has been included in the Department's 2003-06 Business Plan.

Performance Measure

Energy Resource Portfolio Diversification

Target

Sustain energy production through diversification.

Results

	Actual 2000	Actual 2001	Actual 2002	2002-05 Business Plan Target 2002
Oil Production				
Conventional	50%	48%	43%	42%
Non-conventional (oil sands, pentanes / condensate)	50%	52%	57%	58%
Natural Gas Production*				
Conventional	100%	100%	99.99%	99.7%
Non-conventional (coalbed methane)	0%	0%	0.01%	0.3%
Electricity Generating Capacity**				
Conventional (coal and natural gas fired, co-generation)	90.5%	90.5%	90.6%	90%
Non-conventional (renewable)	9.5%	9.5%	9.4%	10%

Note: Percentage indicates proportion of each individual commodity's total production (generating capacity for electricity).
* Source: Alberta's Reserves 2000 and Supply/Demand Outlook 2001-2010, Alberta Energy and Utilities Board. Oil Outlook data by Alberta Energy.
** Source: Compiled by Alberta Energy based on Alberta Energy and Utilities Board, Independent System Operator (ISO) and industry information. The electricity section has been retitled "Electricity Generating Capacity" to more accurately describe the data.
• Natural Gas proportion of conventional and non-conventional production is estimated by Alberta Energy for 2000, 2001 and 2002 using publicly available Alberta Energy and Utilities Board well data.

Discussion

This Energy resource portfolio is being tracked to reflect the need for increasing diversification of Alberta's energy resources to meet future energy demands. The Department can influence development through the adoption of specific royalty features that encourage commodity development or the application of new technologies.

As conventional oil supplies decline, oil sands investment increases in importance to both Alberta and Canada. The province has seen significant investment in oil sands during the last number of years with a corresponding increase in oil sands production. As natural gas supplies decline, coalbed methane development will become increasingly important to the province. Coalbed methane holds significant potential, but the extent of this potential is unproven at this point. The province is therefore proceeding carefully, collecting data from existing operations and learning from experiences in other jurisdictions. Consultations with stakeholders about the future development of coalbed methane are being conducted in 2003 to 2008.

The province also sees new investment in electricity and new Megawatt (MW) hours coming on stream every year. The province currently has enough electricity to meet the demands of Albertans, with new projects being announced on a regular basis further adding to the supply. Renewable energy, in particular wind power, continues to play an important role in electricity generation for the province.

Oil and natural gas production for this measure is based on the Alberta Energy and Utilities Board statistics. Electricity generating capacity is based on the same data as the New Power Generation measure.

Performance Measure

New Power Generation

Target

Alberta's net supply of electricity will increase through industry investment.

Results

	Actual		
	2000	2001	2002
Indicator [MW]	Total	Total	Total
Peak Supply*	10,032	10,640	10,801
Peak Demand**	7,785	7,934	8,570
Margin	2,247	2,706	2,231

Source: Compiled by Alberta Energy based on Alberta Energy and Utilities Board, Independent System Operator (ISO) and industry information. March 31, 2003. MW = Megawatts
Note: The targets for the New Power Generation measure in the 2002-05 Business Plan have not been presented due to a methodology change.
* Peak Supply: The sum of the maximum continuous ratings of all electricity generation facilities that are connected to the Alberta interconnected electric system, excluding the capacity of the interties with British Columbia and Saskatchewan.
** Peak Demand is the highest recorded system demand in a year as recorded by Alberta's Independent System Operator (ISO).

Note: Demand reported for 2002 and future years has been adjusted upward by 400 MW to reflect a change in reporting of demand by the ISO, effective June 17, 2002. The ISO now reports on-site industrial load in its calculation of total system load. This increases the reported load by approximately 400 MW. This has not affected the actual growth in peak demand.

Discussion

Peak demand in 2002 was projected to grow by 250 MW. The actual increase was 236 MW*. A slightly lower than expected growth may be due to conservation efforts and consumption patterns designed to avoid the peak hours.

301 MW of new generation came on-line in 2002 and one coal-fired generating unit with a capacity of 140 MW was decommissioned. The net increase of 161 MW was below the projected 400 MW. This is mostly due to a number of projects that were originally scheduled to come on-line in 2002 being delayed into the first quarter of 2003. About 600 MW of new generating capacity came on line in the first quarter of 2003 and the total growth in 2002 and 2003 is expected to exceed projections. About 80 per cent of new generation on-line since 1998 is highly efficient co-generation mostly associated with oil sands development.

Alberta Energy uses Alberta Energy and Utilities Board (EUB) statistics from 1998 and 1999 as a starting point for estimating Alberta's current generating capacity. The Department collects data on generating capacity changes, such as new units coming on line, based on EUB, Independent System Operator (ISO) and industry information. This information is the basis for reporting incremental generating capacity changes year over year.

* Adjusted for a change in reporting by Alberta's Independent System Operator (ISO).

Growth in electricity capacity is an indication of investor confidence in the new competitive market. Additional electricity supply will be needed to meet Alberta's growing demand.

Investment in new electricity generation reflects investor confidence in Alberta's restructured electric industry. Growth in new generation will support Alberta's ability to reliably meet a growing demand for electricity in the Province. Alberta Energy is undertaking initiatives to streamline approval processes involved in the construction of new electricity generation and transmission in Alberta.

The Government of Alberta remains fully committed to an openly competitive market for electricity so that Albertans continue to receive the benefits of restructuring.

Performance Measure

Electricity Restructuring

Target

Alberta will remain a leader in implementing deregulation in the electricity marketplace. In the 2002-05 Business Plan the target for 2002 was to be in the top five in North America.

Results

	Actual 2001	Actual 2002	Actual 2003
CAEM - Red Index Ranking of Alberta's Restructuring in North America	1	5	4

The RED (Retail Electricity Deregulation) Index compiled by the Centre for the Advancement of Energy Markets (CAEM).
Due to the increasing number of jurisdictions actively pursuing deregulation, this is not a reflection of a decrease in quality from the current target.

Discussion

The CAEM Retail Energy Deregulation (RED) Index is published annually, and is now being updated bi-annually. The 4th edition of the RED Index was issued on April 1, 2003. Alberta's score improved to 61 points in the update, up from 60 points in the 3rd edition. In North America, Alberta ranked in fourth place, behind Texas, Pennsylvania and Maine. CAEM is aware of the changes that will be put in place in the new Electric Utilities Act in 2003.

Policies and structures that improve retail competition will enhance Alberta's ranking in future indices. As Alberta is working to ensure that a form of regulated default supply is available for all retail customers, Alberta's rand may not significantly change with the implementation of the new Electric Utilities Act.

Performance Measure

Annual Residential Natural Gas Price

Target

Annual average residential gas price for Alberta (ARGP) is less than the annual average national residential gas price (NRGP).

Results

	Actual 2001	Actual 2002
Alberta Annual ARGP ($/GJ)	8.917	6.111
National Annual Average NRGP ($/GJ)	10.754	9.116

Source: ATCO Gas North, ATCO Gas South, AltaGas Utilities, Terasen, SaskEnergy, Manitoba Hydro, Enbridge Consumers Gas (Ontario), Union Gas (Southwestern Ontario)

Explanatory Note: Numbers are quoted in $/GJ and are inclusive of gas cost recovery rates (commodity charge), variable and fixed delivery rates. Rates include various rate riders (i.e. company owned storage and production rate riders). Rates exclude GST, PST, franchise fees, and government rebates. This measure is calculated on a calendar year basis using a simple average of monthly rates and annual consumption of 150GJ. Information for the chart was obtained from utility company Web pages or obtained directly from the utilities.

Discussion

Target for the Alberta Annual ARGP to be less than the National Annual Average NRGP, was met.

The performance measure shows a decrease in both the ARGP and the NRGP year on year, this is due to lower natural gas wholesale prices over the 2002 calendar year.

This measure compares the price Albertans are paying for natural gas with other jurisdictions by comparing the annual average Alberta Residential Natural Gas Price (ARGP) with the annual average National Residential Natural Gas Reference Price (NRGRP). To remain competitive, Alberta's price should not exceed the national price.

The ARGP is determined using an average of the delivered cost of natural gas from the major utilities to Alberta residents. The average cost is determined annually and excludes taxes and franchise fees. The NRGP excludes Alberta and is determined using an average of the delivered cost of natural gas, excluding taxes and franchise fees, from utilities serving the cities of Toronto, Sarnia, Winnipeg, Regina, and Vancouver.

Data is collected from the utilities public Websites or collected straight from the manager in charge of rate histories at each respective utility. All information collected from the utilities is public information, which has been used in regulatory filings, thus we consider the source data to be reliable.

Performance Measure

Albertans' Understanding of Alberta's Energy and Mineral Resources and Their Economic Significance

Target
To increase Albertan's awareness and understanding of energy resources

Results

2001-02 (baseline survey)	46 per cent

This represents the overall average response to six questions. The first five of which pertain to Albertan's understanding of energy and mineral resources matters (average result was 39 per cent). The sixth question asked respondents to assess whether the province was doing a fairly good or very good job at providing Albertans with energy information (result was 62 per cent).

Discussion
As resource owners, Albertans need to be aware of Alberta's supply of energy and mineral resources and how important these resources are to Alberta's economy and society. Alberta Energy will improve Albertan's knowledge through improved communication and information. In response to the department's commitment to develop this measure, it contracted IPSOS Reid and by telephone in September 2001, 1,200 Albertans aged 18 years and older were randomly selected and surveyed. Results are considered accurate to within +/- 2.8 per cent 19 times in 20. Questions sampled overall knowledge of the industry, who owns Alberta's resources, how much the province's resources contribute to the Alberta economy, and where Albertans go to get information on natural resources.

The Department has also been very active in working to promote the importance of the oil sands and with other government departments in promoting Kyoto and climate change awareness.

The Department has moved to conducting this survey every second year. The next survey will be conducted during fiscal 2003-04.

Performance Measure
Industry Satisfaction

Target
80 per cent by 2003.

Results

1998	1999	2000	2001
75%	79%	76%	81%

Source: Environics West Survey

Discussion
The Department monitors industry satisfaction to identify opportunities for improvement, and ensure services keep pace with changing requirements in resource sectors. Industry satisfaction is an indicator of staff competence, knowledge, satisfaction and service. During late November 2001, Environics West, surveyed over 600 industry clients that have regular contact with the Department. Overall satisfaction with the Department was 81 per cent, which exceeded our target of 80 per cent two years early.

Industry clients were asked to gauge their satisfaction with the Department of Energy in a number of areas, including helpfulness and professionalism, timeliness and accuracy. In 2001, results were an average of overall satisfaction ratings of the business areas and considered accurate to within +/- 3.9 per cent 19 times in 20. The

Department applies the Government of Alberta's service excellence framework focusing on courteous, competent and timely service to clients

The Department has moved to conducting this survey every second year. The next survey will be conducted in 2003-04.

Performance Measure

Information Management

Target:

Increase the business value of information to industry.

Results

	Baseline 2001
Industry Satisfaction with energy and mineral development information management	92%

*Source: Environics West surveys, Spring 2002

Discussion

In an increasingly global business environment, where partnerships and information sharing is a key to success, effective use of information technology to deliver business products/services and manage information is essential to competitiveness. The Department will monitor industry satisfaction with electronic information management including: systems availability, accuracy, timeliness of information, security, and ease of use of services.

This is a new measure that was not reported in 2001-02. The Department, through the research firm, Environics West, asked a series of questions relating to overall satisfaction with six electronic processing systems related to how the Department conducts business electronically with industry. The overall satisfaction rating of 92 per cent, led the Department to set the target of 90 per cent or higher for future years.

The Department has moved to conducting this survey every second year. The next survey will be conducted 2003-04.

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ALBERTA ENERGY AND UTILITIES BOARD
OPERATIONAL OVERVIEW

EUB

Alberta Energy and Utilities Board

The Alberta Energy and Utilities Board (EUB or Board) is a quasi-judicial agency of the Alberta government that regulates Alberta's energy resources and utilities sectors. Although the EUB reports to the Alberta Ministry of Energy, it makes its formal decisions independently.

The EUB regulates the safe, responsible, and efficient development of Alberta's energy resources—oil, natural gas, oil sands, coal and electrical energy—and the pipelines and transmission lines to move the sources to market. The EUB has a statutory mandate to regulate electric, gas, and water transmission and distribution utilities within Alberta. This regulatory responsibility includes construction, operations, safety, service, rates and major asset acquisitions and divestitures.

Vision – The EUB will continue to build a regulatory framework that inspires public confidence.

Mission – Our role is to ensure that the discovery, development and delivery of Alberta's resources and utility services take place in a manner that is fair, responsible and in the public interest.

Core Businesses

The EUB regulates Alberta's energy resources and utilities through its four core businesses:

- Adjudication and Regulation - Adjudicate and decide on matters relating to the development and transportation of energy resources and utility rates.
- Applications - Ensure that energy resource development is in the public interest.
- Surveillance and Enforcement - Ensure public safety and environmental protection through regulatory requirements, surveillance and enforcement.
- Information and Knowledge - Ensure the availability of energy and mineral resource information to support responsible development.

Adjudication and Regulation

A primary EUB role is to adjudicate and regulate energy developments and utility rates in the public interest. We also provide a public forum for people who may be adversely affected by proposed developments and rate changes.

2002- 03 Highlights

Each year the EUB reviews and approves thousands of applications on a routine basis. When an application cannot be resolved due to concerns or objections, a public hearing is conducted to reach a fair and balanced decision. Concerns raised at EUB hearings have included the location of proposed facilities, urban encroachment and air, soil, and water quality, as well as noise, traffic, safety, land-use, public consultation, cumulative effects, regional development and human and animal health concerns.

Major EUB hearings and decisions in 2002-03 included:

April 2002 – The EUB implemented a monthly Gas Cost Recovery Rate (GCRR) based on Decision 2001-075 that addressed methodologies used by natural gas utility companies to manage their gas supply and set GCRRs. Previously the EUB approved gas rates twice a year. In its decision, the EUB determined that a regulated supply option should be maintained, but found that certain proposed features of gas utility supply could create barriers to the development of a competitive retail gas market. The monthly GCRR is based on monthly indexed gas prices, without additional price stabilization features built into the rate.

October 22, 2002 – In Decision 2002-089, the EUB approved an application by TrueNorth Energy Corporation to construct and operate an oil sands mine and bitumen extraction facility. A hearing was held in Fort McMurray July 2 to 10, 2002 on the proposed Fort Hills Oil Sands Project, located 90 kilometres north of Fort McMurray, within the Regional Municipality of

Wood Buffalo. The project was designed to produce 190,000 barrels of bitumen product per day. The approval was subject to 15 conditions, related to a number of issues, including project water management and surface disturbance. EUB approvals

for large-scale, long-term oil sands projects typically have multiple conditions. The company did not proceed with the project citing market uncertainties, the impact of the Kyoto environmental accord and soaring costs.

December 11, 2002 – The EUB approved an application by ATCO Electric to implement a monthly methodology for calculating electricity prices for its Regulated Rate Option (RRO) customers. The monthly RRO electricity price is based on hourly Alberta Power Pool prices. In Decision 2002-106, the EUB noted that the RRO system could increase the volatility of the energy portion of customers' bills from month to month; however, it should promote better price transparency for customers and avoid accumulations of large surpluses or deficits by ATCO Electric, which would require subsequent rate riders. The monthly pricing system became effective on January 1, 2003.

January 28, 2003 – The EUB approved, with a condition, energy development applications from ConocoPhillips Canada Resources Corp. for a non-critical sour gas well, sour gas battery, and associated piplines located northwest of Beaverlodge. A public hearing held in Grand Prairie, December 10, 2002, heard issues regarding the need for the proposed development, emergency response planning, and impacts. In its Decision 2003-009, the EUB found that ConocoPhillips demonstrated the need for the proposed well, battery, and pipelines, and that these can be drilled, constructed, and operated in a safe and environmentally acceptable manner. The approval was based on ConocoPhillips meeting all regulatory requirements, and the condition that it conduct an exercise of its drilling and completions Emergency Response Plan (ERP) prior to entering the sour zone, and satisfy EUB staff that the key components of its ERP are in order for immediate implementation.

March 18, 2003 – Following a lengthy hearing and review of 27 applications for 145 wells that involved the production or shut-in of gas in the Chard area and Leismer Field, located south of the city of Fort McMurray, Alberta, the EUB issued Decision 2003-023. The decision dealt with a number of important issues, including the extent of affected resources and reserves, reservoir and aquifer continuity, and the effect of associated gas production on steam-assisted gravity drainage (SAGD) bitumen recovery. The parties that applied for approval to produce gas argued that gas production from the applied-for wells would not have a detrimental effect on future bitumen recovery. The parties that applied for gas to be shut in submitted that gas production from the applied-for wells would have a detrimental impact on future bitumen recovery.

In its decision, the EUB concluded that gas production from certain perforated intervals within the Wabiskaw-McMurray (a geologic zone) would present a high risk to future bitumen recovery in the Chard-Leismer area, but a low risk from other perforated intervals. As a result, the EUB ordered the shut-in of associated gas production from specific perforated intervals within the Wabiskaw-McMurray in 39 wells.

effective May 1, 2003. The EUB denied associated gas production from specific perforated intervals within the Wabiskaw-McMurray in 21 wells and approved gas production from other specific perforated intervals within the Wabiskaw-McMurray in 21 wells. The EUB did not require the shut-in of gas production from specific perforated intervals within the Wabiskaw-McMurray in 76 wells, and the EUB did not order the implementation of a pressure-monitoring program in the Chard-Leismer area.

Other considerations and requirements were made with respect to Wabiskaw-McMurray grandfathered gas production and previously approved Wabiskaw-McMurray gas production in the Chard-Leismer area from wells not specifically considered at the hearing. The Board will look at developing a process to address grandfathered gas production in the Athabasca Wabiskaw-McMurray deposit (including Chard-Leismer).

March 2003: Following a joint EUB/Natural Resources Conservation Board (NRCB) hearing to review an application by Glacier Power Ltd. to build and operate the Dunvegan Hydroelectric Project, an 80 Megawatt facility on the Peace River upstream of the Dunvegan Bridge, the application was denied. In its decision, the panel considered issues related to the economic benefits of the project and the impacts of potential increased flooding on the Peace River, including vehicle access across the river via ferries and ice bridges. As well, the panel considered the impacts to fish, and terrestrial wildlife populations and associated habitat. It concluded that the negative social and environmental effects of the project outweighed the social and economic benefits to the community and the province.

By the numbers

The EUB held 33 public hearings in 2002-03. Of these hearings, 19 were related to energy matters concerning well licenses, pipeline permits, gas plants, and building and modification of oil and gas facilities. There was direct public involvement in 12 energy hearings; 6 were industry-industry issues, and one was a corporate compliance matter.

A total of 14 hearings were held related to utility matters, such as electricity-generating facilities, rates, tariffs, complaints and legislated requirements for restructuring of the electricity industry. The Board also conducted 71 written proceedings.

The EUB published 111 decisions in 2002-03. Of these, 89 were related to utilities and 22 to energy.

Applications

Through its application process, the EUB ensures that energy resource development takes place in a manner that is fair, responsible and in the public interest. The application process includes handling, processing and ruling on new applications for energy and utility activities and amending existing approvals.

2002-03 Highlights

Oil and gas activity remained strong in 2002-03. In the oil sands area, the EUB continued to review the issue of bitumen conservation where the bitumen is associated with an overlying gas zone. The EUB dealt with a number of applications related to the production and shut-in of gas in the Athabasca Oil Sands Area. While substantial regulatory steps have been taken regarding the gas/bitumen issues, the EUB continues to consult with industry, hold public hearings and review evidence regarding the impact of existing gas production and its risk to bitumen conservation.

The EUB's Appropriate Dispute Resolution (ADR) program provides an option for applicants and interveners to settle difficult disputes prior to going to a hearing. In its second year of operation, the program has achieved improved landowner-industry relations and more face-to-face discussions between affected landowners and operators.

In its continuing effort to streamline the applications process, the EUB is developing a Web-based system that will allow industry to electronically submit applications and related data. This is part of a multi year project to provide stakeholders with an electronic business solution for many of their requirements.

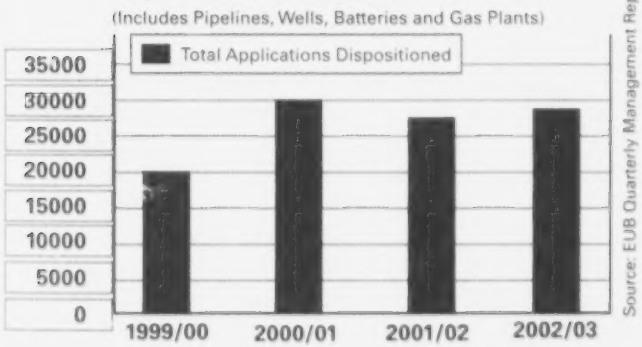
By the numbers

The EUB received 32,970 facilities, resources and utilities applications in 2002-03. The number of facilities license applications for pipelines, wells, gas plants and batteries increased eight per cent this year from the previous year, to a total of 29,801. Resources applications, which include equity, conservation, depletion administration and mining licenses, increased 15 per cent in 2002-03 for a total of 2,685. The EUB received 484 utilities applications, including those for gas and electric utility rates, power plants, transmission lines and substations, franchise agreements, rate riders and milk price orders.

During the 2002 calendar year, 198 EUB staff facilitations in the ADR program were initiated. Of these, 154 were completed, with 84 per cent being resolved. Of the 27 third-party mediations initiated, 20 were landowner/industry of which 85 per cent were resolved, and 7 were company-to-company mediations, of which 71 per cent were resolved. Nine hearings were cancelled as a result of these ADR efforts.

Energy Facilities Applications Dispositioned in Fiscal Year

(Includes Pipelines, Wells, Batteries and Gas Plants)



Source: EUB Quarterly Management Report

Surveillance and Enforcement

The EUB ensures public safety and environmental protection through regulatory requirements, surveillance and enforcement. Surveillance and enforcement are carried out at the EUB's eight Field Centres located across the province and the two suboffices in Fort McMurray and High Level. In 2003 the EUB will establish a regional office in Fort McMurray.

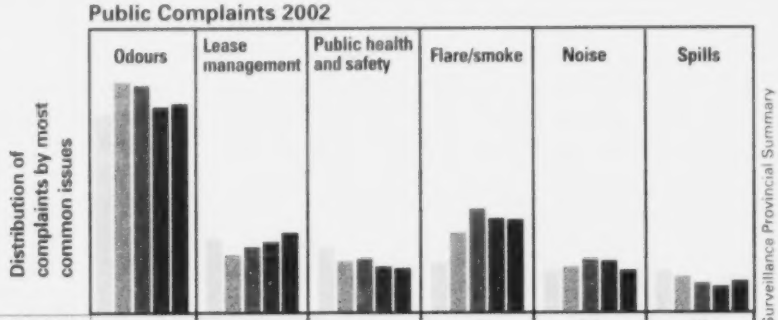
2002-03 Highlights

In calendar year 2002, the EUB recorded improved industry performance, including a higher rate of inspections with satisfactory findings, a decrease in failure frequency for pipelines, a decrease in the volumes of hydrocarbon and produced water spills, and a small decrease in public complaints. However, there was also an increase in the number of pipeline inspections with major unsatisfactory findings, due in part to the implementation of *Guide 66: Pipeline Inspection Manual*, which requires more stringent enforcement of the requirement for corrosion mitigation programs. The EUB is working with licensees to improve their corrosion mitigating monitoring and will continue to monitor industry's performance to minimize incidents of pipeline corrosion. As well, industry improved its compliance record in the area of air emission from oil and gas facilities.

In September 2002, the EUB implemented the Field Surveillance Inspection System (FIS). Through FIS, industry can notify the EUB electronically when activities such as flaring, venting, and pipeline construction and testing are taking place. The EUB is then able to share this information with the public on a timely basis when inquiries are made about activities in a community. By the end of December 2002, 85 per cent of industry notifications were made electronically through the new system.

The EUB and industry continue to work together in more than 50 community-based synergy groups to deal with local issues, such as air quality monitoring, oil sands development, sour gas drilling, and facilities and pipeline construction.

Public Complaints 2002



	Odours	Lease management	Public health and safety	Flare/smoke	Noise	Spills
1998/99	360	134	117	91	79	80
1999/00	412	105	94	144	83	66
2000/01	405	120	99	186	98	55
2001/02	367	127	84	170	93	48
*2002	372	141	80	166	78	57

Source: EUB Field Surveillance Provincial Summary

*The 2002 *Field Surveillance Provincial Summary* reported on activities during the calendar year (January 1 to December 31), instead of the fiscal year (April 1 to March 31). All comparisons between 2002 and 2001/02 numbers include a three-month overlap (January 1 to March 31).

By the numbers

The EUB completed 8,255 initial field inspections and 2,201 reinspections from January 1 to December 31, 2002. Those with satisfactory results increased significantly, from 64 per cent in 2001-02 to 70.6 per cent in calendar year 2002. There was one serious unsatisfactory finding in 2002, compared to 11 in 2001-02. The EUB monitored 461 facilities for hydrogen sulphide (H_2S) and sulphur dioxide (SO_2) emissions, an increase from the 28 facilities monitored in 2001. Companies that fail to meet EUB requirements or follow EUB direction are subject to enforcement consequences. The number of facilities the EUB ordered suspended in 2002 decreased to 128 facilities, down from 142 in 2001-02. The EUB responded to 869 public complaints, which included 372 odour complaints.

Information and Knowledge

The EUB ensures the availability of energy and mineral resource information to support responsible development.

2002-03 Highlights

The EUB issued its annual report *Alberta's Reserves 2002 and Supply/Demand Outlook 2003-2012*, which assesses the state of reserves and supply and demand for Alberta's energy resources – crude oil, crude bitumen, natural gas, natural gas liquids, sulphur, and coal. It also includes estimates of reserves, production volumes for 2002 and a 10-year supply and demand forecast for each resource.

In October 2002, the Petroleum Registry of Alberta was implemented. The internet-based program streamlines and simplifies the reporting of oil and gas production from wells and provides a single, authoritative source of petroleum infrastructure information.

In 2002, the EUB's Alberta Geological Survey signed an agreement with Princeton University to study the safety, efficiency, and optimization of the geological sequestration of carbon dioxide (CO_2), a greenhouse gas contributing to global climate change. The study addresses the issues of CO_2 emissions reduction and climate change by looking at the short-and long-term effects of storing CO_2 in deep geological formations. Some of the questions to be answered through this study involve appropriate locations, storage capacity, safe practices, and duration of storage.

By the numbers

Alberta's oil sands contain the largest crude bitumen (oil sands) resource in the world. To date, only 2 per cent of the initial established crude bitumen reserve has been produced.

- Crude bitumen production surpassed provincial conventional oil production by 25 per cent. Bitumen production totaled 829,000 barrels (132,000 m^3) per day, compared to conventional oil production of 660,400 barrels (105,000 m^3) per day.
- Alberta's total remaining bitumen and conventional oil reserves total 176 billion barrels (28.0 billion m^3), consisting of bitumen at 174 billion barrels (27.7 billion m^3) and conventional oil at 1.6 billion barrels (260 million m^3).
- Remaining established marketable gas reserves stood at 42 trillion cubic feet (1,171 billion m^3). Gas production is expected to rise by approximately 1.5 per cent over 2003 but decline an average of 2 per cent each year over the remainder of the forecast period.

Analysis of Key Activities

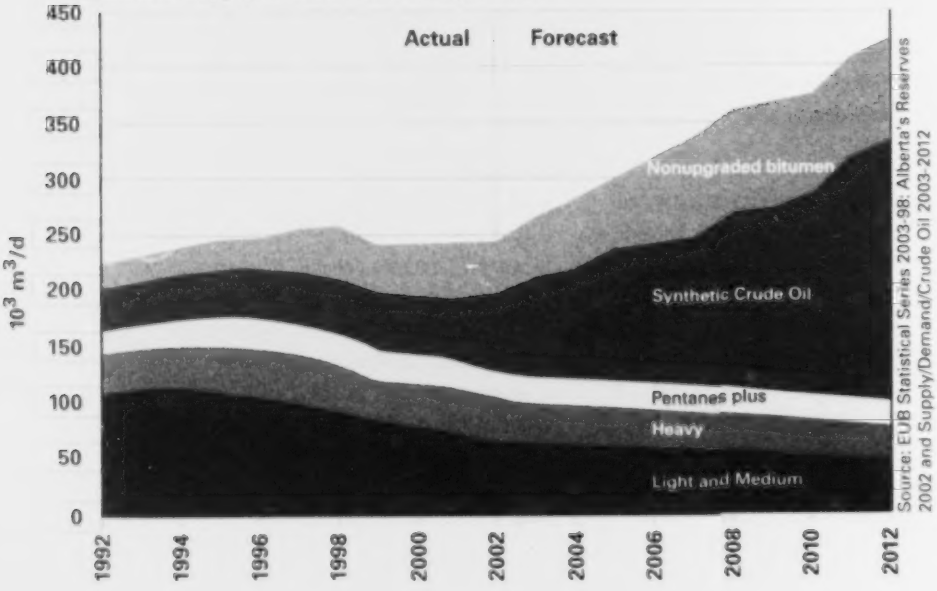
Major activities undertaken by the EUB in 2002-03 include:

- the ongoing implementation of the Public Safety and Sour Gas Committee's 87 recommendations,
- ensuring that conventional operations continue to operate appropriately without compromising the public interest, and
- developing the foundation for the regulation of municipal utility companies, such as ENMAX and EPCOR.

Public Safety and Sour Gas Recommendations

In response to landowner concerns about sour gas development, in 2000 a Provincial Advisory Committee representing a cross-section of stakeholders reviewed Alberta's regulatory system for sour gas. This Public Safety and Sour Gas (PS&SG) Committee discussed

Alberta Supply of Crude Oil and Equivalent

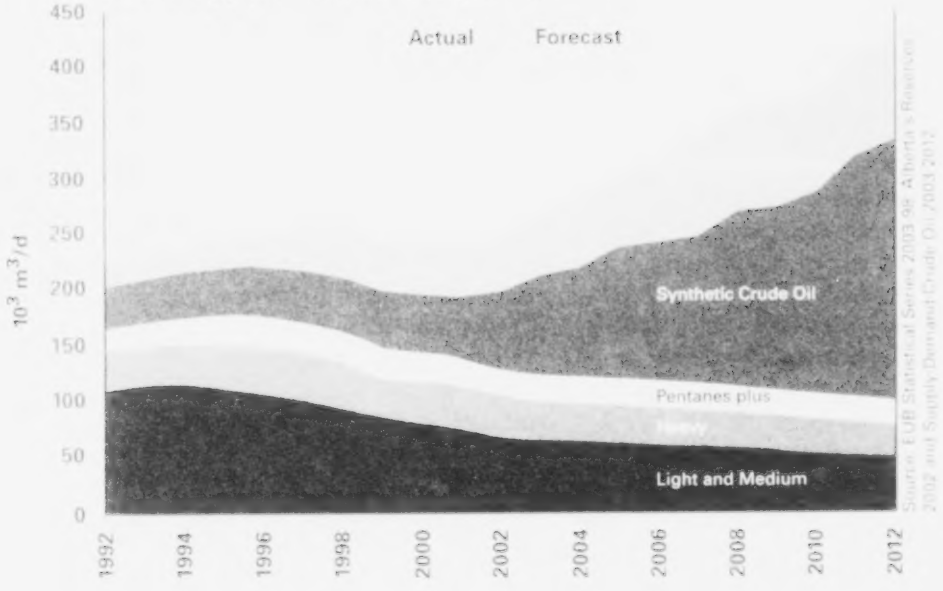


Source: EUB Statistical Series 2003-98: Alberta's Reserves 2002 and Supply/Demand/Crude Oil 2003-2012

Analysis of Key Activities

Public Safety and Sour Gas Recommendations

Alberta Supply of Crude Oil and Equivalent



Source: EUB Statistical Series 2003-98, Alberta's Reserves 2002 and Supply/Demand Crude Oil 2003-2012

sour gas development with thousands of Albertans, conducted public meetings across the province and eventually presented the EUB with a slate of 87 recommendations aimed at improving Alberta's already world-class sour gas development regulations. In 2002-03, 18 recommendations were completed and work had begun on an additional 52. The EUB is committed to addressing all 87 recommendations.

As part of this commitment, the EUB in January 2003 published *Guide 29: Energy and Utility Development Applications and the Hearing Process* and the companion brochure *Energy and Utility Development Applications, the Hearing Process, and Cost Awards*. These documents help to make the EUB hearing process easier to understand and more user-friendly for members of the public who wish to participate in the process. Also available is a video to accompany Guide 29.

Another milestone realized by the PS&SG project team in 2002-03 involved conducting an inventory of assets used to monitor and improve regional air quality. The EUB has now collected and analyzed the type, sensitivity, reliability, and location of available air monitoring equipment that is in place province wide. Findings led to a comprehensive inventory of mobile, stationary, and permanent air monitoring equipment in the province and the developing of best practice guidelines to ensure that a consistent approach exists for collecting and communicating air monitoring results.

Compliance

The EUB, in agreement with the energy industry and the Government of Alberta, works diligently to hold companies accountable for the end-of-life liabilities associated with oil and gas sites. In May 2002, the EUB implemented the Licensee Liability Rating (LLR) program to protect Alberta taxpayers from paying for the abandonment, decontamination or reclamation of orphaned wells, facilities and pipelines whose owners are defunct or unknown. LLR is designed to identify licensees whose deemed liabilities are greater than their deemed assets. When liabilities exceed assets, a deposit is required from the licensee to cover the estimated difference.

Utility Deregulation

The EUB continues its role of enabling a competitive market that provides customers with clear market signals with respect to commodity pricing. Commencing in April 2002, the Gas Cost Recovery Rate is set on a monthly basis rather than twice a year. This Gas Cost Recovery Rate is a pass-through of the market price for natural gas; the price is set on a North America wide basis and is not determined by the EUB. Similarly, in 2003 the EUB approved a pass-through of electricity prices to electric Regulated Rate Option (RRO) customers. Going to monthly gas and electricity charges means the price on customer bills will be closer to prices on wholesale markets, allowing customers to make better choices when considering a retail service provider.

The EUB also implemented a Billing Accuracy Correction Deficiency Regulation in December 2002, requiring a utility to compensate its customers when bills inaccurately represent electricity consumption.

To ensure that customers continue to receive safe and adequate service, the EUB launched efforts to establish standards for quality and reliability of service. Penalties will be imposed on utilities that fail to meet the standards, once they are established. The EUB also has a Customer Concerns centre that investigates disputes concerning utilities service and billings. The centre handled over 2,500 complaints in calendar year 2002.

Other Highlights

- The EUB held open houses in Pincher Creek, Bonnyville, and Medicine Hat, each drawing over 100 interested people. In addition to open houses, field staff and Calgary-based staff regularly attend community meetings and information sessions all over the province to enable the EUB to be more responsive to community concerns and information needs.

- The award-winning *Petroleum Play* activity booklet for grades four and five was sent to schools in June 2002. The booklet is a collection of games, puzzles and activities that teach children about the energy industry and the role EUB Field Surveillance

inspectors play at each stage of development. A children's Website went live in September 2002, based upon the content of the activity booklet. Eye on Energy, the science-in-a-crate project developed with Science Alberta Foundation, began circulation in the schools in September 2002 and continues to be in demand around the province.

- To improve the EUB's relationship with aboriginal people with regard to sour gas development, health and safety impacts, and regulatory matters in general, EUB Field Surveillance, with involvement of Indian Oil and Gas Canada, visited 29 aboriginal communities in 2002. These visits resulted in mutual learning and demonstrate the EUB's ongoing commitment to relationships based on understanding, integrity, and transparency.

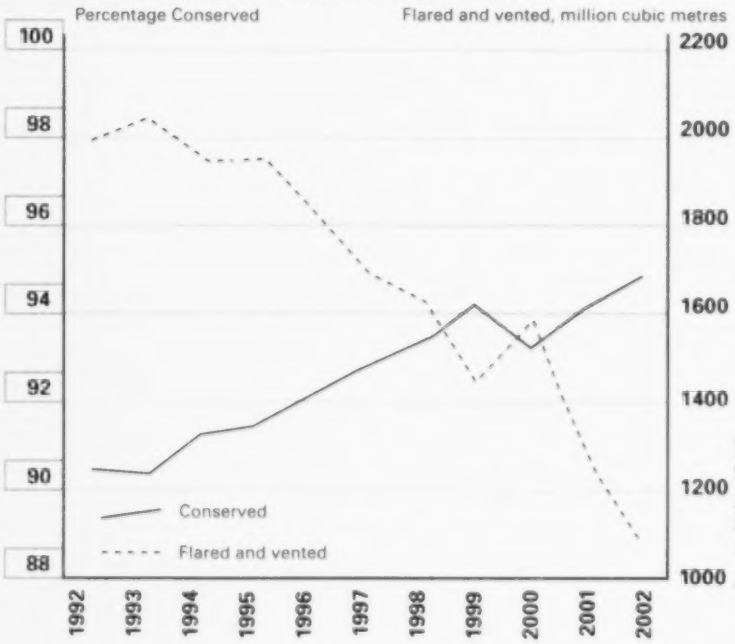
- In April 2002, an EUB representative spoke at the United Nations Global Gas Flaring Reduction Initiative Conference in Oslo, Norway, on the successful partnership of the EUB, Clean Air Strategic Alliance (CASA) and industry. Flaring of solution gas was reduced by approximately 62 per cent in 2002 from the 1996 baseline according to data collected. This reduction significantly exceeds the 2001 target of 25 per cent. In May 2002, the EUB issued a General Bulletin notifying the upstream petroleum industry of new requirements for evaluating solution gas vent sources.

Future challenges

- As part of the continued restructuring of Alberta's electricity and natural gas markets, in 2003-04 the EUB will take on governance of the Market Surveillance Administrator, which was formally handled by the Power Pool of Alberta.

- During Alberta's steady transition from producing conventional oil and gas to producing more nonconventional resources, such as the oil sands, we are preparing to ensure that all developments, continue to be in the public interest as they proceed. To address anticipated increased oil sands industry activity, the EUB will establish a regional office in Fort McMurray in 2003.

Solution Gas Conserved, Flared, and Vented



Source: EUB's ST60B: Upstream Petroleum Industry Flaring, Incinerating, and Venting Report

OIL • PIPELINES • MINERALS • OIL SANDS • ELECTRICITY • NATURAL GAS • PETROCHEMICALS

ALBERTA ENERGY AND UTILITIES BOARD
RESULTS ANALYSIS

EUB

Alberta Energy and Utilities Board

Discussion of goals, performance and results

Goal 1.1

Prompt and appropriate resolution of landowner, public and industry conflicts in the energy sector.

Performance Measure 1

Per cent of applications filed without landowner/public objections.

Target

95 per cent of applications filed without objection related to new facilities.

Results

(based on fiscal year)	1999-00	2000-01	2001-02	2002-03
	98%*	98%*	98%*	98%

Source: Integrated Application Registry (IAR)
*Energy Applications only

Discussion

The EUB believes everyone—landowners, communities, local governments, environmental groups, and companies—must work together from the beginning of a project to ensure good relations throughout the life of energy facilities. This measure gauges the ability to facilitate and resolve landowner, public and industry objections prior to the filing of applications for new energy and utility facilities and resource developments. Information is taken from the Integrated Applications Registry (IAR) system to identify the number of applications with and without linked objections.

The target was based on the previous years' energy facility applications only. Additional data on utility facility and resource development applications are being sought to help refine the measure.

The current year's 98 per cent performance is above target. Success is attributed to the EUB responding to heightened public concern in new ways. For example, the EUB

- has field staff available to attend meetings between landowners and companies during early discussion of new oil and gas wells and facilities, in order to help identify and resolve conflicts before they intensify;
- is testing other mediation tools, such as company-sponsored consultation, negotiation and third-party mediation;
- encourages senior company officials to meet with affected landowners during mediations; and
- provides for senior technical staff or a Board member to be available in landowner discussions, if appropriate.

Performance Measure 2

Per cent of objections resolved related to new facilities.

Target

90 per cent of objections resolved without a hearing.

Results

(based on fiscal year)	2000-01	2001-02	2002-03
	85%*	93%**	90%

Source: Integrated Application Registry (IAR)
*Energy applications only
** Energy and resource development applications only

Discussion

The measure monitors the percentage of objections to new energy and utility facility and resource development applications that are resolved without hearings relative to the total of new applications that come forward with objections. If concerns are not resolved, the application is considered "nonroutine" and staff review it in greater detail. This process attempts to quantify our ability to facilitate and resolve landowner, public and industry objections through mechanisms other than the hearing process. Information is taken from the IAR system to identify the total number of applications with linked objections, as well as the number of applications with linked objections that were dispositioned or closed after being considered at a hearing.

The target was based on the past years' energy facility applications only. Additional data on utility facility and resource development applications are being sought to help refine the measure. Actual performance of 90 per cent meets our target of 90 per cent of objections resolved without a hearing.

Performance Measure 3

Per cent of complaints responded to in a timely manner.

Target

85 per cent of complainants satisfied with the timely manner of EUB response.

Results

(based on fiscal year)	1999-00	2000-01	2001-02	2002-03
	100%	86%	90%	89%

Source: EUB Electronic Environmental Database (ENV) and the Complaint Callback Database

Discussion

This measure determines the degree of customer satisfaction regarding whether the operational issue of concern was responded to by the EUB in a timely manner. It relates only to complaints received by Field Surveillance staff concerning existing facilities.

When a customer is not satisfied, EUB Field Centre staff review the file and assess whether all EUB policies and regulations have been followed. If necessary, EUB staff will conduct an inspection of the facility that is the focus of the issue or concern, and make a personal visit to the customer. In every case, the customer is contacted and receives an update.

The measure ensures that EUB field staff are responding to complaints in a timely manner. Where there is a landowner-industry conflict over potential noncompliance, the process ensures that potential noncompliance is addressed in a timely manner to current standards and regulations. The process also ensures that complaints are validated and, where possible, resolved.

The population of complaints originates in the EUB Electronic Environmental Database, which extracts the current month's complaints into the Complaint Database. The Complaint Database randomly selected 25 calls per month for callbacks in 2002-03. For prior years, 60 per cent of complaints were randomly selected for the callback process.

Actual performance of 89 per cent exceeded the target of 85 per cent. In order to address the number of complaints in a timely manner, the EUB hired additional field staff and expanded the Field Surveillance program. EUB field staff are also very active in local community synergy groups and so can act to deal with emerging issues before they reach the complaint stage.

Goal 1.2

Stakeholders accept that the hearing procedures and the decision-making processes are timely, fair and objective.

Performance Measure 1

Timeliness of hearing decisions.

Target

95 per cent of decisions issued in 90 days or less from the end of the hearing.

Results

(based on fiscal year)	2000-01	2001-02	2002-03
	94%	99%	97%

Source: EUB Decisions Issued to Date Report

Discussion

Tracking the timing of hearing decisions measures the EUB's ability to improve the timeliness of application and hearing processes. This helps to ensure that all parties to the adjudicative process are satisfied with it and can expect decisions to be consistently issued within a prescribed timeframe without compromising quality.

The EUB reviewed the turnaround time for decisions and made a commitment in 2000 to issue 90 per cent of decisions within 90 days from the end of a hearing or from the submission of final evidence. The 2000-01 data were used as a benchmark to assess the forecast and targets for 2002-05.

Actual performance of 97 per cent of hearing decisions issued in less than 90 days exceeded the target of 9[illegible] per cent. Performance was helped by an efficient adjudicative process that ensures continuity by using the same hearing panels with respect to electrical matters and by the effective working relationship developed among the panel chair, counsel and applications coordinator.

Goal 1.3

Provide effective utility regulation that allows for an orderly, fair and transparent development of electric and gas infrastructure and markets in Alberta.

Performance Measure 1

Power plant applications turnaround time.

Target

Case manage the power plant application process to 12 to 18 months for coal-fired plants.

Results

(based on fiscal year)	2001-02	2002-03
	12 months	Application pending disposition

Source: Integrated Application Registry (IAR)

Discussion

The EUB reviewed the turnaround time for coal-fired power plant applications and made a commitment in 2001 to process an application in 12-18 months. This commitment was the basis for the targets for 2002-05.

Total turnaround time is measured from the launch of the environmental impact assessment process for gathering of environmental information and preparation of regulatory applications to the actual disposition of the application.

One coal-fired power plant application was filed with the EUB in December 2002. It is anticipated that the EUB will issue its decision within 12 months.

Goal 2.1

The application processes are simple, transparent and timely.

Performance Measure 1

Application turnaround time.

Target

3 to 3.5 working days (average) turnaround time for routine facility applications.

Results

(based on fiscal year)	1999-00	2000-01	2001-02	2002-03
	4.2*	3.2*	1.4**	1.7**

Source: Facility Application Register (FAR)
* Calendar Days
** Working Days

Discussion

The measure monitors application turnaround time from submission to disposition for routine facility applications. It is an indicator of the efficiency of the EUB's application-handling process and is based on past performance. Starting in fiscal 2001-02, the turnaround time was measured using working days. Calendar days were not a fair representation of performance, since many applications are received at the end of the week and approved at the beginning of the next week.

The average working day turnaround time is calculated from the dispositioned and registration date for the application type, which is taken from the FAR database.

Current performance of 1.7 working days to turn around applications exceeded the target of 3 to 3.5 working days.

Success was due to a number of factors, including additional staff resources, a stable computer environment directed to improve process efficiency, and industry becoming more familiar with the process, which resulted in fewer errors.

Goal 3.1

Ensure industry complies with regulatory requirements.

Performance Measure 1

Noncompliance reduction.

Target

Reduce the percentage of major and serious unsatisfactory incidents of noncompliance with regulatory requirements related to field inspections to 3.5 per cent.

Results

(based on fiscal year)	1999-00	2000-01	2001-02	2002-03
	3.5%	3.3%	4.4%	3.8%

Source: EUB Field Surveillance Provincial Summary Report

Discussion

This indicator measures the EUB's ability to ensure industry's compliance with regulatory requirements.

The EUB Field Surveillance Branch inspects industry operations in the upstream oil and gas business with respect to the exploration and production and disposition of hydrocarbons and associated wastes. All inspection results are recorded as either satisfactory, minor unsatisfactory, major unsatisfactory or serious unsatisfactory and put into various EUB databases (Production Surveillance System, Lease Surveillance System, Well Licensing System, Pipeline Licensing System, Electronic Environmental Database and the Drilling and Servicing Inspection System).

A major unsatisfactory inspection is one that finds a contravention of regulation(s) that an operator has failed to address and is thereby having or may have a significant impact on the public and/or environment. A serious unsatisfactory inspection is one that finds a total disregard for regulation(s) and is thereby having or may have a significant impact on the public and/or environment.

The number of inspections in 2002-03 was 7,772. Current performance of 3.8 per cent in noncompliance did not meet the target of 3.5 per cent.

In 2002-03, implementation of the new *Guide 66: Pipeline Inspection Manual* clarified the EUB's expectations for identifying and addressing corrosion issues. The EUB's next step will be to work with industry to increase awareness of EUB expectations and the new regulatory requirements regarding pipeline corrosion. Discussions are under way with the Canadian Association of Petroleum Producers (CAPP) and the Petroleum Industry Training Service (PITS) to investigate developing a regulatory awareness program for pipeline construction maintenance and operations.

Performance Measure 2

Flaring and venting reduction.

Target

Reduction in solution gas flared (based on 1996 levels) and vented (based on 2000 levels) in accordance with current and future Clean Air Strategic Alliance (CASA) recommendations.

Results

(based on calendar year)	1999	2000	2001	2002
Flaring Reduction Level	30%	38%	53%	62%
Venting Reduction Level	n/a	n/a	15%	30%

Source: S-2 data and Petroleum Registry of Alberta (VPR)

Discussion

The measure demonstrates the effectiveness of an appropriate consultation program and how it can result in regulatory requirements and industry practices to achieve an appropriate degree of conservation of solution gas and environmental protection by reducing flaring and venting from crude oil and crude bitumen batteries.

Current year's results are for the calendar year 2002. Data for the first nine months were collected through the monthly "S" statements in the Production Injection Disposition system. Starting in October 2002, the data were collected through the Petroleum Registry of Alberta system.

The solution gas flaring reduction levels (compared to the 1996 baseline) were 53 per cent and 62 per cent for calendar years 2001 and 2002 respectively. The 2001 target reduction level was 25 per cent. CASA did not establish a target reduction level for 2002.

The solution gas venting reduction levels (compared to the 2000 baseline) were 15 per cent and 30 per cent for calendar years 2001 and 2002 respectively. CASA did not establish target reduction levels for 2001 and 2002.

The solution gas flaring target reduction levels were exceeded as the result of a concerted effort by industry, CASA and the EUB. These efforts included evaluating the economic viability of conserving existing flares and vents, restricting flare volumes under the EUB's New Oil Well Production Period (NOWPP) program, and minimizing flaring from new development wells in conserving pools.

CASA is currently developing solution gas flaring and venting target reduction levels for calendar years 2003 and beyond.

Performance Measure 3

Public safety and sour gas recommendations.

Target

Incorporate 60 per cent of the recommendations into the EUB Business Plans for implementation.

Results

(based on fiscal year)	2001-02	2002-03
	56%	80%

Source: PSSG 2003 Annual Progress Report

Discussion

The report of the Provincial Advisory Committee on Public Safety and Sour Gas (PS&SG) was issued in December 2000. Following a review of the report, the EUB committed to a multiyear plan to address the committee's 87 recommendations related to sour gas issues. In January 2001 the EUB formed the Public Safety Implementation Team to oversee work to address each of the recommendations.

Significant progress has been made to date:

- The target of incorporating 49 recommendations (56 per cent) has been exceeded.
- Eighteen recommendations have been completed, and work is continuing on 52 others. 70 recommendations – 80 per cent of total – are now incorporated into the EUB Business Plans for implementation.

Action plans to address the remaining 17 recommendations are included in the *2003 PS&SG Annual Progress Report* which is on the EUB Web site www.eub.gov.ab.ca.

Goal 4.1

Stakeholders will have access to accurate, comprehensive and current information that is readily available.

Performance Measure 1

Data migration.

Target

100 per cent of business data elements residing on the mainframe will be migrated to the data warehouse on the client/server platform, making all data accessible to staff.

Results

(based on fiscal year)	1999-00	2000-01	2001-02	2002-03
	17%	70%	70%	100%

Source: EUB Database Management Report

Discussion

The EUB is an information-based organization that has been collecting, organizing and managing significant volumes of data over the life of its IDMS mainframe database management system developed in the early 1980's.

The EUB has migrated its business processes from the mainframe to a client/server and Web-based environment in order to support new or re-engineered business processes. This will result in greater and easier access to operational data to support EUB processes.

Year-one of the three-year program focused on acquiring, installing and testing replication software. The target for the actual migration was split over the remaining two years.

The target of 100 per cent migration was met for the current year. Overall, 5,427 data elements were replicated to the data warehouse. This replication advanced once replication software was installed in February 2001.

Performance Measure 2

Increase stakeholder satisfaction.

Target

Establish a baseline measure of stakeholders satisfied with EUB information.

Results

Based on survey results, a baseline of 71 per cent was established for the level of satisfaction with EUB data/information and access to it, 79 per cent for satisfaction with information services, and 74 per cent for satisfaction with the EUB Web site.

Discussion

The target was met. Three populations were sampled randomly to approximate the major stakeholders for EUB data dissemination. Sources included the PS&SG mailing list to measure public response, billing documents from Information Services to tabulate industry customers, and the Integrated Application Registry to measure industry users of the Web site.

Questions were graded on a scale from 1 (strongly disagree) to 5 (strongly agree). The number of "strongly agree" and "agree" responses were calculated as a percentage of total responses. This measure will aid the EUB in providing useful and reliable information to stakeholders and making more informed decisions, as well as assist in long-term planning.

Goal 4.2

Provide an accurate picture of reserves, supply and demand to support applications and long-term planning, and provide information to enhance the understanding of Alberta's energy and mineral resource base.

Performance Measure 1

Increase stakeholders' satisfaction.

Target

Establish a baseline measure of stakeholders' satisfaction with EUB energy resources information, such as the *Alberta Reserves and Supply/Demand Outlook Report* (ST-98), *Crude Bitumen Atlas* and *Ultimate Gas Potential Report*.

Results

Based on the survey results, a target of 75 per cent was established for the level of satisfaction with the reserves section of the *Alberta Reserves and Supply/Demand Outlook Report*, and a target of 40 per cent for the level of overall satisfaction with the Supply/Demand section of this report for 2003-04.

Discussion

The target was met. The customer satisfaction survey was sent to government, research agencies, petroleum explorers and producers, consultants, and EUB Web site users. Forty-five customers responded to the resource information question: 82 per cent were satisfied with the value of the ST-98 report and 41 per cent were satisfied with its Supply/Demand section.

Questions were graded on a scale from 1 (strongly disagree) to 5 (strongly agree). The number of "strongly agree" and "agree" responses were calculated as a percentage of total responses.

The small sample size and associated statistical uncertainty with results caused the baseline for future targets to be set below the survey's response level. The baseline will be adjusted once future survey results have been evaluated. This baseline measure will aid the EUB in providing useful and reliable resource information to stakeholders, in long-term planning, and in making more informed decisions.

Performance Measure 2

Development of mapping information.

Target

Development of one surficial map at 1:250 000 scale per year (approximately 5 per cent of coverage in area) beginning 2002-03.

Results

The target was met. Surficial maps for the following four areas were completed and released in February 2003:

- MAP 265 Surficial Geology of the Southeast Buffalo Head Hills Area (NTS 84B/NW) 1:100 000 scale
- MAP 266 Surficial Geology of the Lubicon Lake Area (NTS 84B/SW) 1:100 000 scale
- MAP 267 Surficial Geology of the Peerless Highlands Area (NTS 84B/NE) 1:100 000 scale
- MAP 268 Surficial Geology of the Trout River Area (NTS 84B/SE) 1:100 000 scale

These four 1:100 000 quadrants make up the 84B 1:250 000 NTS map sheet and are available from the EUB's Alberta Geological Survey in Edmonton.

Discussion

A surficial map identifies, classifies and describes the unconsolidated materials at the earth's surface that lie above bedrock. Selection of map areas is based on requests from industry for new mapping and/or where industry activity is the greatest. Initial data collection includes air photo interpretation and review of existing literature. This is followed up with field checking, sampling and drilling. Sample analysis and geological analysis are used to produce a final interpretive map. Field mapping is done in the previous year, with analysis, interpretation and map publishing completed the following year.

Goal 5.1

Build an organizational environment for success.

Performance Measure 1

Staff retention.

Target

Reduce the level of regrettable turnover to 275 person-years of EUB experience.

Results

(based on fiscal year)	1999-00	2000-01	2001-02	2002-03
Regrettable turnover (person-years)	328	167	122	147

Source: EUB personnel files

Discussion

Fulfillment of EUB core business commitments is hindered if appropriate staff expertise is not in place.

Regrettable turnover is defined as all terminations of permanent employees for reasons other than retirements, EUB-initiated terminations, resignations of staff with performance problems, and resignations or terminations of staff in positions targeted for downsizing.

The EUB began tracking regrettable turnover in 1999-2000, with the goal of reducing it each year to a target of not more than 50 per cent of the total turnover experienced in 1997 and 1998, when it was extremely high, at 1250 person-years of experience.

To date, regrettable turnover of 147 person-years is well below our targeted threshold level of 275 person-years of EUB experience. Success is expected to continue, provided that the factors affecting turnover remain favourable. The 147 person-years number equates to 28 EUB staff with an average experience of 5 years or 3.7 per cent of the 750 EUB workforce.

Performance Measure 2

Increase internal stakeholders' satisfaction.

Target

Evaluate the results of stakeholders' satisfaction against the baseline measure established in 2001-2002.

Results

(based on fiscal year)	2001-02	2002-03
	74%	80%

Source: Internal EUB Satisfaction Survey – Information management and technology services

Discussion

An internal stakeholder survey for satisfaction with information management and supporting information technology services was distributed to all EUB staff.

For 2001-02, survey results indicated that 74 per cent of EUB staff were satisfied with information/data management and supporting information technology services at the EUB.

A target for 2002-03 was set at 74 per cent based on the 2001-02 results. Actual performance was 80 per cent, which exceeded the target.

The number of "completely satisfied", "very satisfied", and "satisfied" responses were calculated as a percentage of total responses.

Financial Highlights

The EUB manages its operations in accordance with the Alberta Energy and Utilities Board Act and other applicable Alberta government legislation and policies. The operations are managed as two distinct programs:

Energy Regulation Program

This program delivers the EUB's core businesses: Adjudication and Regulation; Applications; Surveillance and Enforcement; and Information and Knowledge.

The majority of this program's funding is derived from the combination of an Alberta government grant and a general industry levy. The ratio of funding provided by the Alberta government has increased steadily over the last five years from 25 per cent to 30 per cent, and is approved to reach 38 per cent in fiscal 2004. This change is in response to efforts to return to a 50/50 ratio.

Fiscal 2003 expenditures totaled $99.6 million ($93.4 operating and $6.2 net capital investment), an increase of $4.9 million from the prior year. The fiscal 2003 budget was established at the prior year level, and then subsequently increased by $5.6 million to address utility consumer billing concerns, and additional enforcement operations.

The EUB achieved its energy regulation performance goals and objectives for 2003 within the established spending targets. Revenues exceeded expenditures by $0.4 million, which is within 0.5 per cent of the authorized budget.

The following is a percentage allocation of this program's expenses by core business:

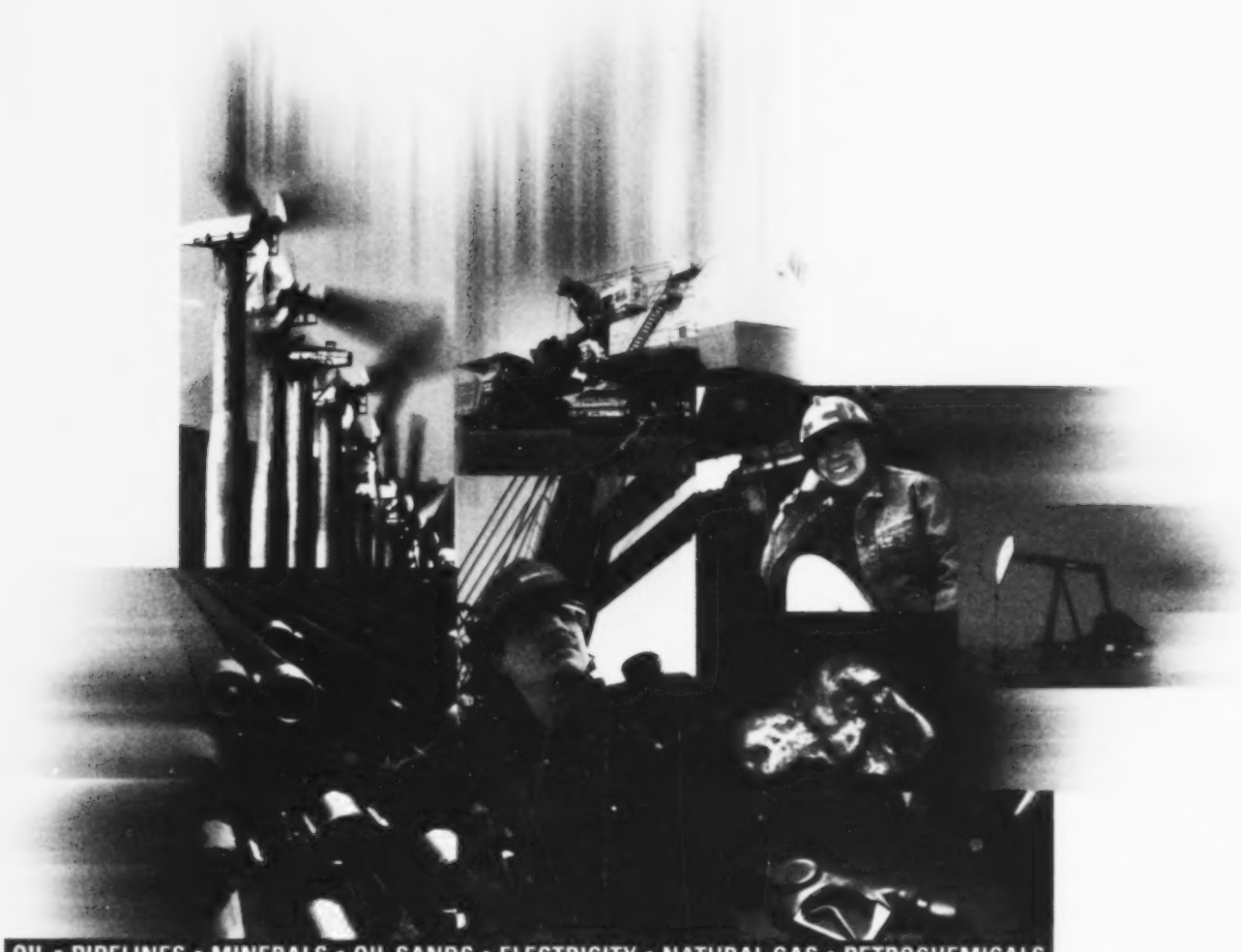
	2003 Budget	2003 Actual	2002 Actual
Adjudication and Regulation	15%	16%	15%
Applications	25%	25%	25%
Surveillance and Enforcement	25%	26%	25%
Information and Knowledge	35%	33%	35%
	100%	100%	100%

Orphan Program

This program manages the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct licensees. The EUB declares the well, facility, or pipeline of a defunct licensee to be an orphan and then the Alberta Oil and Gas Orphan Abandonment and Reclamation Association (the Orphan Association) manages the subsequent abandonment and reclamation operation.

All funding for this program is provided by industry, by way of first-time licensee fees and an orphan program levy. These funds are collected by the EUB, and then transferred directly to the Orphan Association.

The Orphan Association was established on March 30, 2001 and had limited operations throughout fiscal 2002. During fiscal 2003 the EUB collected and transferred $8.4 million to the Orphan Association. The fiscal 2003 budget was originally set conservatively at $4.0 million, and then subsequently increased to $8.0 million as the Orphan Association operations progressed.



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FINANCIALS

Alberta ENERGY

EUB
Alberta Energy and Utilities Board

Ministry of Energy: Financial Statements

March 31, 2003

Auditor's Report

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Financial Position

Notes to the Consolidated Financial Statements

Schedules to the Consolidated Financial Statements

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Energy as at March 31, 2003 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 are expensed in the year acquired and have not been recognized as assets in the statement of financial position. The effect of this omission is to understate net assets as at March 31, 2003 by approximately $5,586,000, and to understate expenses by approximately $388,000 for the year ended March 31, 2003.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta

May 23, 2003

Ministry of Energy

Consolidated Statement of Operations

For the year ended March 31, 2003
(in thousands)

	2003 Budget	2003 Actual	2002 Actual
Revenue: (Schedule 1)			
Non-renewable resource revenue	$ 3,714,000	$ 7,130,327	$ 6,227,525
Freehold mineral rights tax	127,000	201,556	319,116
Industry levies and licences	71,485	78,440	66,032
Other revenue	2,325	12,213	17,000
	3,914,810	7,422,536	6,629,673
Expense: (Schedule 2)			
Energy and utility resources	91,071	101,868	84,625
Ministry support services	2,383	2,028	2,760
Resource development and management	71,863	67,359	61,710
	165,317	171,255	149,095
Net operating results	$ 3,749,493	$ 7,251,281	$ 6,480,578

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Consolidated Statement of Financial Position

As at March 31, 2003

(in thousands)

	2003	2002
Assets:		
Cash (Note 3)	$ 528,796	$ 340,324
Accounts receivable	1,912,808	388,323
Inventory held for resale	32,090	39,000
Prepaid expenses	1,245	1,006
Accrued pension asset (Note 6)	5,899	5,539
Capital assets (Note 4)	55,397	49,215
	$ 2,536,235	$ 823,407
Liabilities and Net Assets:		
Accounts payable and accrued liabilities	$ 97,874	$ 58,442
Unearned revenue	70,645	71,660
Gas royalty deposits	563,183	567,471
Security deposits (Note 5)	11,754	30,146
Accrued pension liability (Note 6)	661	1,379
Tenant incentives	5,423	6,149
	749,540	735,247
Net Assets:		
Net assets, beginning of year	88,160	3,025,942
Net operating results	7,251,281	6,480,578
Net transfer to General Revenue	(5,552,746)	(9,418,360)
Net assets, end of year (Note 7)	1,786,695	88,160
	$ 2,536,235	$ 823,407

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Consolidated Statement of Changes in Financial Position

For the year ended March 31, 2003

(in thousands)

	2003	2002
Operating Transactions:		
Net operating results	$ 7,251,281	$ 6,480,578
Non-cash items		
Amortization	10,871	7,814
Pension expense	3,243	2,592
Grants in kind	742	–
Write down of capital assets	1,205	–
	7,267,342	6,490,984
Changes in operating non-cash working capital		
Decrease (increase) in accounts receivable	(1,524,485)	2,678,941
Decrease in inventory	6,910	16,636
Increase in prepaid expenses	(239)	(2)
Increase (decrease) in accounts payable and accrued liabilities	39,432	(7,673)
Decrease in unearned revenues	(1,015)	(185)
Decrease in tenant incentives	(726)	(728)
Cash provided by operating transactions	5,787,219	9,177,973
Financing Transactions:		
Increase (decrease) in gas royalty deposits	(4,288)	179,751
Net transfer to General Revenue	(5,552,746)	(9,418,360)
Pension obligations funded	(4,321)	(4,091)
Decrease in funds held on behalf of others	(18,392)	(5,958)
Cash used by financing transactions	(5,579,747)	(9,248,658)
Investing Transactions:		
Purchase of capital assets	(19,000)	(22,746)
Cash used by investing transactions	(19,000)	(22,746)
Net Cash Provided (Used)	188,472	(93,431)
Cash, Beginning of Year	340,324	433,755
Cash, End of Year	$ 528,796	$ 340,324

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Energy

Notes to the Consolidated Financial Statements

For the year ended March 31, 2003

(thousands of dollars)

Note 1

Authority

The Minister of Energy has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Energy.

Organization	Authority
Department of Energy	Government Organization Act
Alberta Energy and Utilities Board (The Board)	Alberta Energy and Utilities Board Act
Alberta Petroleum Marketing Commission (The Commission)	Petroleum Marketing Act and the Natural Gas Marketing Act

Note 2

Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

Basis of Financial Reporting

Basis of Consolidation

The accounts of the Department, the Board and the Commission are consolidated. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

The reporting period of the Commission is December 31. Transactions that have occurred during the period to March 31, 2003 and that significantly affect the consolidation have been recorded.

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- current service costs for the defined benefit pension plans. The Board has defined benefit pension plans. The Board uses the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the estimated average remaining service lives of the related employee group (12 years). For the purpose of calculating the expected return, plan assets are valued at fair value.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in schedule 3 and are not reflected in the consolidated statement of operations.

Assets

Inventory consists of conventional and synthetic oil in feeder and trunk pipelines. Inventories are stated at net realizable value.

Capital assets are recorded at historical cost and are amortized over their estimated useful lives. The Department threshold for capitalizing new systems development is $100 and the threshold for all other capital assets is $15.

Assets acquired by right, such as mineral resources, are not included.

When physical assets are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities, and gas royalty deposits are estimated to approximate their book values.

Note 3

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Note 4

Capital Assets

	Estimated Useful Life	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Computer hardware and software	3-10 years	$ 104,586	$ 57,923	$ 46,663	$ 38,469
Equipment	3-20 years	10,378	6,744	3,634	3,960
Pipelines	–	–	–	–	2,020
Leasehold Improvement	Term of Lease	6,324	1,544	4,780	4,446
Land	–	320	–	320	320
		$ 121,608	$ 66,211	$ 55,397	$ 49,215

Note 5

Security Deposits

The Board encourages the timely abandonment and reclamation of upstream wells, facilities, pipelines, and oilfield waste facilities by holding various forms of security, and if required, enforcing compliance.

At March 31, 2003, the Board held $11,754 (2002 - $30,146) in security deposits, and an additional $9,212 (2002 - $18,233) in other forms of security being primarily letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

If a licensee is reluctant, or unable, to complete timely abandonment and reclamation operations, the Board has the authority to enforce compliance. For the year ended March 31, 2003, the Board completed $2,666 (2002 - $2,040) of abandonment operations, and contributed $8,439 (2002 - $582) to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association. This Association has been delegated the authority to manage the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct operators.

Note 6

Employee Future Benefits

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,555 for the year ended March 31, 2003 (2002 - $4,322). At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968 (2001 - surplus $5,338) and the Public Service Pension Plan reported an actuarial deficiency of $175,528 (2001 - actuarial surplus $320,487). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $6,472 (2001 - deficiency $399).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of $14,434 (2002 - $8,646) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $3,053 (2002 - $2,656). The expense for these two plans is limited to employer's annual contributions for the year.

In addition, the Board maintains a defined benefit Senior Employees Pension Plan and Supplementary Benefit Plans to compensate senior staff who do not participate in the government management pension plans. Pension fund assets for these plans are invested in high quality bonds and Canadian equities. The significant actuarial assumptions adopted in measuring the accrued benefit obligations for these plans are as follows:

	2003	2002
Discount rate	7.1%	6.8%
Expected long-term rate of return on plan assets	3.9% to 7.8%	4.2% to 8.4%
Rate of compensation increase	4.5%	4.5%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	Senior Employees Pension Plan		Supplementary Benefit Plans	
	2003	2002	2003	2002
Plan assets at fair value	$ 13,084	$ 14,511	$ 2,500	$ 1,582
Accrued benefit obligation	12,373	11,902	3,442	3,238
Plan surplus (liability)	711	2,609	(942)	(1,656)
Unamortizated amounts	5,188	2,930	281	277
Accrued pension asset (liability)	$ 5,899	$ 5,539	$ (661)	$ (1,379)

Additional information about the Board defined benefit plans are as follows:

	2003	2002
The Board's contribution	$ 1,651	$ 1,690
The Board employees' contribution	250	265
Benefit paid	675	533
Pension expense	573	191

Note 7

Net Assets

Net assets are comprised of:

	2003	2002
Department of Energy	$ 1,746,231	$ 54,303
Alberta Energy and Utilities Board	40,464	33,857
Total	$ 1,786,695	$ 88,160

Note 8

Trust Funds under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the legislature has no power of appropriation. Because the province has no equity in the funds, and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, trust funds under administration were as follows:

	2003	2002
Mines and Minerals Act Securities Trust	$ 21	$ 21
Oil and Gas Conservation Trust	30	27
Total	$ 51	$ 48

Note 9

Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2003 amount to $46,151 (2002 - $ 58,523). These commitments will become expenses of the Ministry when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the legislature. These amounts include obligations under long-term leases with lease payment requirements in future years of:

2003/04	$ 4,847
2004/05	4,823
2005/06	4,833
2006/07	4,783
2007/08	4,724
Thereafter	15,362
	$ 39,372

Royalty Paid Natural Gas

The province is committed to payout January 1, 1994 balances of royalty paid natural gas and by-products injected into underground reservoirs prior to January 1, 1994. At March 31, 2003, the commitment was estimated at $107,931 (2002 - $57,904). The commitment was estimated using the current gas price and royalty rate and will be amortized to 2006.

Alberta Petroleum Marketing Commission

The Alberta Petroleum Marketing Commission has allocated a portion of its anticipated pipeline requirements to firm transportation agreements expiring in March 2012. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contracted rates. The aggregate estimated commitment at December 31, 2002 is $97,180 (2001 - $109,044). This commitment will be paid from future oil royalty revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs.

Note 10

Contingencies

Set out below are details of contingencies resulting from administrative appeals and litigation, other than those reported as liabilities.

(a) Requests for the Review of Royalty Assessments

In the normal course of business, the Department may be requested by royalty payors, to review the assessments made against them. At March 31, 2003, the Department was in the process of reviewing 10 such requests with a total royalty value of $115,500. The likely result of these reviews cannot be determined at this time.

(b) Land Claims

The government has identified and set aside specific tracts of land to satisfy land claims by Indian Bands. The claims related to these lands are not yet resolved. In the interim, the Ministry has issued 23 petroleum and natural gas dispositions on these lands and collected bonus and rental payments on the areas under dispute. When these land claims will be resolved is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

(c) Legal Claims

At March 31, 2003 the Department is a defendant in 1 legal claim (2002 - 2 legal claims). This claim has no specified amount (2002 - These claims have specified amounts totaling $15,651). The resulting loss, if any, from this claim cannot be determined.

Note 11

Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Revenue, recorded as $7,422,536 in these financial statements, includes non-renewable resource revenue and freehold mineral rights tax, in the amount of $7,331,883, which is subject to measurement uncertainty. Revenue is calculated based on production volumes reported to the Department by royalty payers. These volumes could vary significantly from that initially reported.

Accounts receivable, recorded as $1,912,808 in these statements, is subject to measurement uncertainty. Estimates are used in accruing revenues in circumstances where the actual accrued revenues are unknown at the time these financial statements are prepared. The actual amount collected could vary significantly from that estimated.

Note 12

Related Party Transactions

The Ministry paid $9,171 (2002 - $8,142) to various other Government of Alberta departments, agencies or funds for supplies and/or services during the fiscal year and received $464 (2002 - $474) as revenue. Included in these services was a payment of $412 (2002 - $412) for the lease of a research facility from Alberta Infrastructure. The remaining term of this lease is 83 years and the future payments are $412 to 2009 and $48 to 2086 annually.

Accommodations, legal, telecommunications, personnel, audit services, and certain financial costs were provided to the Ministry by other government organizations at no cost. However, services contributed by other entities in support of the Ministry operations are disclosed in schedule 3.

Note 13

Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer of the Department.

Ministry of Energy

Consolidated Schedule of Revenue

For the year ended March 31, 2003

(in thousands)

Schedule 1

	2003 Budget	2003 Actual	2002 Actual
Non-renewable resource revenue			
Natural gas and by-products	$ 2,573,000	$ 5,125,486	$ 4,029,611
Crude oil royalties	469,000	1,176,633	986,788
Bonuses and sale of crown leases	609,000	565,550	969,644
Synthetic crude oil and bitumen	78,000	183,242	185,019
Rentals and fees	142,000	152,711	148,171
Coal	12,000	9,991	16,745
Alberta Royalty Tax Credit	(169,000)	(83,286)	(108,453)
	3,714,000	7,130,327	6,227,525
Freehold mineral rights tax	127,000	201,556	319,116
Industry levies and licences			
Industry levies and assessments	65,991	70,936	60,336
Information services	5,494	7,504	5,696
	71,485	78,440	66,032
Other revenue			
Other	925	11,062	15,450
Interest	1,400	1,151	1,550
	2,325	12,213	17,000
Total revenue	$ 3,914,810	$ 7,422,536	$ 6,629,673

Ministry of Energy

Consolidated Schedule of Expenses Detailed by Object

For the year ended March 31, 2003

(in thousands)

Schedule 2

	2003 Budget	2003 Actual	2002 Actual
Salaries, wages and employee benefits	$ 91,008	$ 94,555	$ 86,708
Supplies and services	58,455	50,775	46,722
Grants	4,775	5,359	5,429
Amortization and write down of capital assets	7,588	12,076	7,814
Well abandonment	4,000	8,439	2,040
Valuation adjustments	35	584	671
Financial transactions and other	74	77	80
Gross expenses for operations	165,935	171,865	149,464
Less: Recovery from support service agreements with related parties	(618)	(610)	(369)
Total net expenses	$ 165,317	$ 171,255	$ 149,095

Ministry of Energy

Schedule of Allocated Costs

For the year ended March 31, 2003

(in thousands)

Schedule 3

	2003				2002
	Expenses Incurred by Others				
Program	Directly Incurred Expenses [1]	Accommodation Costs	Other Services	Total Expenses	Total Expenses
Energy and utility resources	$ 101,868	$ –	$ 68	$ 101,936	$ 84,732
Ministry support services	2,028	203	–	2,231	2,959
Resource development and management	67,359	3,862	1,156	72,377	66,442
	$ 171,255	$ 4,065	$ 1,224	$ 176,544	$ 154,133

(1) Expenses - Directly incurred as per Statement of Operations, excluding valuation adjustments.

Ministry of Energy

Consolidated Schedule of Intra-Ministry Transactions

For the year ended March 31, 2003

(in thousands)

Schedule 4

	2003 Budget	2003 Actual	2002 Actual
Assets			
Alberta Petroleum Marketing Commission	$ –	$ (35,190)	$ (34,773)
Total net assets	$ –	$ (35,190)	$ (34,773)
Liabilities			
Alberta Petroleum Marketing Commission	$ –	$ (35,190)	$ (34,773)
Total net liabilities	$ –	$ (35,190)	$ (34,773)
Revenue			
Alberta Energy and Utilities Board funding from the Department	$ (26,432)	$ (28,884)	$ (28,583)
Total net revenue	$ (26,432)	$ (28,884)	$ (28,583)
Expense			
Funding to Alberta Energy and Utilities Board	$ (26,432)	$ (28,884)	$ (28,583)
Total net expense	$ (26,432)	$ (28,884)	$ (28,583)

Department of Energy: Financial Statements

March 31, 2003

Auditor's Report

Statement of Operations

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Notes to the Financial Statements

Schedules to the Financial Statement

AUDITOR'S REPORT

To the Minister of Energy

I have audited the statement of financial position of the Department of Energy as at March 31, 2003 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA

Auditor General

Edmonton, Alberta

May 23, 2003

Department of Energy

Statement of Operations

For the year ended March 31, 2003

(in thousands)

	Budget (Schedule 3)	2003 Actual	2002 Actual
Revenues: (Schedule 1)			
Non-renewable resource revenue	$ 3,714,000	$ 7,130,327	$ 6,227,525
Freehold mineral rights tax	127,000	201,556	319,116
Other revenue	925	11,061	14,845
	3,841,925	7,342,944	6,561,486
Expenses - directly incurred (Note 2b and Schedule 7)			
Voted (Schedules 2 and 4)			
Ministry support services	2,383	2,028	2,748
Resource development and management	71,863	66,921	63,122
Energy and utilities regulation	26,432	27,532	26,512
	100,678	96,481	92,382
Statutory			
Valuation adjustments			
Provision for doubtful accounts	35	263	243
Provision for vacation pay	–	321	428
	35	584	671
	100,713	97,065	93,053
Write down of capital assets	–	1,205	–
Net Operating Results	$ 3,741,212	$ 7,244,674	$ 6,468,433

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Statement of Financial Position

As at March 31, 2003

(in thousands)

	2003	2002
Assets:		
Cash	$ 493,159	$ 290,248
Accounts receivable (Note 3)	1,875,610	372,168
Inventory held for resale (Note 2)	32,090	39,000
Loans and advances	22	44
Capital assets (Note 4)	22,281	22,285
	$ 2,423,162	$ 723,745
Liabilities:		
Accounts payable and accrued liabilities	$ 43,103	$ 30,311
Gas royalty deposits	563,183	567,471
Unearned revenue	70,645	71,660
	676,931	669,442
Net Assets:		
Net assets, beginning of year	54,303	3,004,230
Net operating results	7,244,674	6,468,433
Net transfer to general revenue	(5,552,746)	(9,418,360)
Net assets, end of year	1,746,231	54,303
	$ 2,423,162	$ 723,745

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Statement of Changes in Financial Position

For the year ended March 31, 2003

(in thousands)

	2003	2002
Operating Transactions:		
Net operating results	$ 7,244,674	$ 6,468,433
Non-cash items		
Amortization	4,736	3,778
Grants in kind	742	–
Write down of capital assets	1,205	–
Valuation adjustments	584	671
	7,251,941	6,472,882
Decrease (increase) in accounts receivable	(1,503,442)	2,669,049
Decrease in inventories held for resale	6,910	16,636
Payment of loans and advances	22	64
Decrease (increase) in accounts payable and accrued liabilities	12,208	(506)
Decrease in unearned revenues	(1,015)	(185)
Cash provided by operating transactions	5,766,624	9,157,940
Financing Transactions:		
Net transfer to General Revenue	(5,552,746)	(9,418,360)
Increase (decrease) in gas royalty deposits	(4,288)	179,751
Cash used by financing transactions	(5,557,034)	(9,238,609)
Investing Transactions:		
Purchase of capital assets (Schedule 4)	(6,679)	(8,096)
Cash used by investing transactions	(6,679)	(8,096)
Net Cash Provided (Used)	202,911	(88,765)
Cash, beginning of year	290,248	379,013
Cash, end of year	$ 493,159	$ 290,248

The accompanying notes and schedules are part of these financial statements.

Department of Energy

Notes to the Financial Statements

For the year ended March 31, 2003

(thousands of dollars)

Note 1

Authority and Purpose

The Department of Energy operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The Department of Energy has responsibility for a diverse resource development portfolio that includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal, and minerals. The Department of Energy manages the development of these resources in a responsible manner, within a framework of sustainable development, which maximizes investment in resource development and benefits for Albertans.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Energy, which is part of the Ministry of Energy and for which the Minister of Energy is accountable. Other entities reporting to the minister include the Alberta Petroleum Marketing Commission and the Alberta Energy and Utilities Board. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of the departments are deposited into the Fund and all cash disbursements made by the departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Department operations are disclosed in schedule 7.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Inventory consists of oil in feeder and trunk pipelines. Inventory is stated at net realizable value.

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other capital assets is $15. Assets acquired by right, such as mineral resources, are not included.

When physical assets are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities include all financial claims payable by the Department at fiscal year end.

Net Assets

Net assets represents the difference between the carrying value of assets held by the Department and its liabilities.

Note 3

Accounts Receivable

Accounts receivable is secured by a claim against the mineral leases.

Note 4

Capital Assets

	Estimated Useful Life	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Computer hardware and software	10 years	$ 60,262	$ 38,217	$ 22,045	$ 19,601
Equipment	5 years	4,706	4,470	236	664
Pipeline	40 years	–	–	–	2,020
		$ 64,968	$ 42,687	$ 22,281	$ 22,285

Note 5

Commitments

As at March 31, 2003, the Department has commitments totaling $9,946 (2002 - $14,250). These commitments will become expenses of the Department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

Royalty Paid Natural Gas

The province is committed to payout January 1, 1994 balances of royalty paid natural gas and by-products injected into underground reservoirs prior to January 1, 1994. At March 31, 2003, the commitment was estimated at $107,931 (2002 - $57,904). The commitment was estimated using the current gas price and royalty rates and will be amortized to 2006.

Note 6

Contingencies

At March 31, 2003, the Department has been named in administrative appeals and litigation.

(a) Administrative Appeals

In the normal course of business, the Department may be requested by royalty payors, to review the assessments made against them. At March 31, 2003, the Department was in the process of reviewing 10 such requests with a total royalty value of $115,500. The likely result of these reviews cannot be determined at this time.

(b) Land Claims

The government identifies and sets aside specific tracts of land to satisfy land claims made by Indian Bands. The claims related to these lands are under negotiation but are not yet resolved. In one instance, the Department may have to revoke 23 petroleum and natural gas dispositions for which the government accepted bonus, rental payments, and royalties. When these land claims will be resolved

is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

(c) Legal Claims

At March 31, 2003 the Department is a defendant in 1 legal claim (2002 - 2 legal claims). This claim has no specified amount (2002 - These claims have specified amounts totaling $15,651). The resulting loss, if any, from this claim cannot be determined.

Note 7

Trust Funds under Administration

The Department administers trust funds which are regulated funds consisting of public money over which the legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

As at March 31, 2003, trust funds under administration were as follows:

	2003	2002
Mines and Minerals Act Securities Trust	$ 21	$ 21
Oil and Gas Conservation Trust	30	27
Total	$ 51	$ 48

Note 8

Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Revenue, recorded as $7,342,944 in these financial statements, includes non-renewable resource revenue and freehold mineral rights tax, in the amount of $7,331,883, which is subject to measurement uncertainty. Revenue is calculated based on production volumes reported to the Department by royalty payers. These volumes could vary significantly from that initially reported.

Accounts receivable, recorded as $1,875,610 in these statements, is subject to measurement uncertainty. Estimates are used in accruing revenues in circumstances where the actual accrued revenues are unknown at the time these financial statements are prepared. The actual amount collected could vary significantly from that estimated.

Note 9

Defined Benefits Plans

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,885 for the year ended March 31, 2003 (2002 - $1,921).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968 (surplus 2001 - $5,338) and the Public Service Pension Plan reported an actuarial deficiency of $175,528

(actuarial surplus 2001 - $320,487). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $6,472 (2001 - actuarial deficiency $399).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of $14,434 (2002 - deficiency $8,646) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $3,053 (2002 - deficiency $2,656). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10

Royalty Reduction Programs

The Department provides four oil and four gas royalty reduction programs. These programs reduce Crown royalties to encourage industry to produce from wells which otherwise would not be economically productive. For the year ended March 31, 2003, the royalties received under these programs were reduced by $359 million (2002 - $306 million).

Note 11

Valuation Of Financial Assets And Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, loans and advances, accounts payable and accrued liabilities, and gas royalty deposits are estimated to approximate their book values. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Note 12

Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer.

Department of Energy

Revenue

For the year ended March 31, 2003

(in thousands)

Schedule 1

	2003 Budget	2003 Actual	2002 Actual
Non-renewable resource revenue:			
Natural gas and by-products	$ 2,573,000	$ 5,125,486	$ 4,029,611
Crude oil royalty	469,000	1,176,633	986,788
Bonuses and sale of crown leases	609,000	565,550	969,644
Synthetic crude oil and bitumen royalty	78,000	183,242	185,019
Rentals and fees	142,000	152,711	148,171
Coal royalty	12,000	9,991	16,745
Royalty Tax Credit	(169,000)	(83,286)	(108,453)
	3,714,000	7,130,327	6,227,525
Freehold mineral rights tax	127,000	201,556	319,116
Other revenue	925	11,061	14,845
Total revenue	$ 3,841,925	$ 7,342,944	$ 6,561,486

Department of Energy

Expense Directly Incurred - Detailed by Object

For the year ended March 31, 2003

(in thousands)

Schedule 2

	2003 Budget	2003 Actual	2002 Actual
Voted:			
Salaries, Wages & Employee Benefits	$ 31,673	$ 35,195	$ 32,097
Supplies and Services	33,669	23,136	23,812
Grants	31,287	33,947	32,984
Financial Transactions and Other	109	77	80
Amortization Of Capital Assets	4,558	4,736	3,778
Total Voted Expenses before Recoveries	101,296	97,091	92,751
Less: Recovery from Support Service Arrangements with Related Parties (a)	(618)	(610)	(369)
Total Voted Expenses	$ 100,678	$ 96,481	$ 92,382

(a) The Department provides financial services to Alberta Agriculture Food and Rural Development, Community Development, Alberta Environment and Sustainable Resource Development. Costs incurred for these services are recovered from Alberta Environment and Sustainable Resource Development.

Department of Energy

Budget

For the year ended March 31, 2003

(in thousands)

Schedule 3

	Estimates	Authorized Supplementary [a]	Authorized Budget
Revenues:			
Natural gas and by-products royalty	$ 2,573,000	$ –	$ 2,573,000
Crude oil royalty	469,000	–	469,000
Bonuses and sales of crown leases	609,000	–	609,000
Synthetic crude oil and bitumen royalty	78,000	–	78,000
Rentals and fees	142,000	–	142,000
Coal royalty	12,000	–	12,000
Royalty tax credit	(169,000)	–	(169,000)
Freehold mineral rights tax	127,000	–	127,000
Other revenue	925	–	925
	3,841,925	–	3,841,925
Expenses - Directly Incurred:			
Voted Expenses			
Ministry support services	2,383	–	2,383
Resource development and management	71,863	2,200	74,063
Energy and utilities regulation	26,432	1,100	27,532
	100,678	3,300	103,978
Statutory Expenses:			
Valuation Adjustments			
Provision for doubtful accounts	35	–	35
Provision for vacation pay	–	–	–
	35	–	35
Total Expenses	100,713	3,300	104,013
Net Operating Results	$ 3,741,212	$ (3,300)	$ 3,737,912
Capital Investment	$ 1,315	$ –	$ 1,315

(a) Supplementary estimates were approved on March 10, 2003.

Department of Energy

Comparison of Expense Directly Incurred and Capital Investments, by Element to Authorized Budget

For the year ended March 31, 2003

(in thousands)

Schedule 4

	Estimates	Authorized Supplementary[a]	Authorized Budget	Actual Expense[b]	Unexpended (Over Expended)
Expenses:					
Voted					
Program 1 - Ministry Support Services					
1.0.1 Minister's Office	$ 280	$ –	$ 280	$ 278	$ 2
1.0.2 Standing Policy Committee on Energy and Sustainable Development	95	–	95	89	6
1.0.3 Deputy Ministers' Office	365	–	365	366	(1)
1.0.4 Corporate Services	1,271	–	1,271	515	756
1.0.5 Communications	372	–	372	780	(408)
	2,383	–	2,383	2,028	355
Program 2 - Resource Development and Management					
2.1 Program Support					
2.1.1 Program Support					
- Operating Expense	15,310	–	15,310	16,859	(1,549)
2.1.2 Information Systems					
- Operating Expense	21,949	–	21,949	18,340	3,609
- Capital Expense	250	–	250	–	250
2.1.3 Amortization of Capital Assets	4,588	–	4,588	4,736	(148)
	42,097	–	42,097	39,935	2,162
2.2 Mineral Development					
2.2.1 Resource Development	556	–	556	511	45
	556	–	556	511	45

(continued)

Department of Energy

Comparison of Expense
Directly Incurred and Capital Investments, by Element to Authorized Budget (continued)

For the year ended March 31, 2003

(in thousands)

Schedule 4 (continued)

	Estimates	Authorized Supplementary[a]	Authorized Budget	Actual Expense[b]	Unexpended (Over Expended)
2.3 Gas and Alberta Markets Development					
2.3.1 Resource Development					
- Operating Expense	15,781	2,200	17,981	14,278	3,703
- Capital Expense	1,065	–	1,065	6,679	(5,614)
	16,846	2,200	19,046	20,957	(1,911)
2.4 Oil Development					
2.4.1 Resource Development	13,679	–	13,679	12,197	1,482
	13,679	–	13,679	12,197	1,482
	73,178	2,200	75,378	73,600	1,778
Program 3 - Energy and Utilities Regulation					
3.0.1 Assistance to the Alberta Energy and Utilities Board					
	26,432	1,100	27,532	27,532	–
	26,432	1,100	27,532	27,532	–
Total Voted Expenses	$ 101,993	$ 3,300	$ 105,293	$ 103,160	$ 2,133
Program Operating Expense	$ 100,678	$ 3,300	103,978	$ 96,481	$ 7,497
Program Capital Investment	1,315	–	1,315	6,679	(5,364)
Total Voted Expenses	$ 101,993	$ 3,300	$ 105,293	$ 103,160	$ 2,133

(a) Supplementary estimates were approved on March 10, 2003.

(b) Includes achievement bonus of $850.

Department of Energy

Salaries and Benefits Disclosure

For the year ended March 31, 2003

(in thousands)

Schedule 5

	2003			2002
	Salary[1]	Benefits and Allowances[2]	Total	Total
Deputy Minister[3]	$ 182	$ 48	$ 230	$ 210
Executives				
Assistant Deputy Minister - Mineral Development	142	35	177	158
Assistant Deputy Minister - Oil Development	138	5	143	159
Assistant Deputy Minister - Electricity and Gas	127	28	155	184
Other				
Executive Director - Electricity	134	33	167	154

Total salary and benefits relating to a position are disclosed.

(1) Salary includes regular base pay, bonuses, overtime, vacation payout and lump sum payments.

(2) Benefits and Allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, WCB premiums, health care, dental coverage, group life insurance, professional memberships, tuition fees, short and long term disability.

(3)Automobile provided, no dollar amount included in benefits and allowances figure.

Department of Energy

Related Party Transactions

For the year ended March 31, 2003

(in thousands)

Schedule 6

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Expenses - Directly Incurred:				
Grants	$ 27,532	$ 28,137	$ –	$ –
Other services	1,056	496	5,151	4,959
	$ 28,588	$ 28,633	$ 5,151	$ 4,959

The above transactions do not include support service arrangement transactions disclosed in schedule 2.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in schedule 7.

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Expenses - Incurred by Others:				
Accommodation	$ –	$ –	$ 4,065	$ 3,970
Other services	–	–	1,156	961
	$ –	$ –	$ 5,221	$ 4,931

Department of Energy

Allocated Costs

For the year ended March 31, 2003

(in thousands)

Schedule 7

	2003						2002
		Expenses Incurred by Others		Valuation Adjustments			
Program	Directly Incurred Expenses [1]	Accommodation Costs	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Ministry Support Services	$ 2,028	$ 203	$ –	$ 9	$ –	$ 2,240	$ 2,959
Resource Development and Management	66,921	3,862	1,156	312	263	72,514	68,513
Energy and Utilities Regulation	27,532	–	–	–	–	27,532	26,512
	$ 96,481	$ 4,065	$ 1,156	$ 321	$ 263	$ 102,286	$ 97,984

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

Alberta Energy and Utilities Board: Financial Statements

March 31, 2003

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedules to the Financial Statements

AUDITOR'S REPORT

To the Members of the Alberta Energy and Utilities Board

I have audited the statement of financial position of the Alberta Energy and Utilities Board as at March 31, 2003 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta

April 25, 2003

Alberta Energy and Utilities Board

Statement of Operations

For the year ended March 31, 2003

(thousands of dollars)

	2003 Budget (Schedule 3)	2003 Actual	2002 Actual
Revenues			
Industry levies and assessments	$ 65,991	$ 70,936	$ 60,336
Provincial grants	27,081	28,601	28,565
Information, services and fees	5,494	7,787	6,319
Investment	1,400	1,151	1,550
	99,966	108,475	96,770
Expenses			
Energy regulation (Schedule 1)	87,071	93,429	84,043
Orphan abandonment (Note 3)	4,000	8,439	582
	91,071	101,868	84,625
Net operating results	$ 8,895	$ 6,607	$ 12,145

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Energy and Utilities Board

Statement of Financial Position

As at March 31, 2003

(thousands of dollars)

	2003	2002
Assets		
Current		
Cash (Note 4)	$ 16,908	$ 16,839
Security deposits (Note 3)	11,754	30,146
Accounts receivable	1,977	2,023
Prepaid expenses	1,245	1,006
	31,884	50,014
Capital assets (Note 5)	33,116	26,930
Accrued pension asset (Note 6)	5,899	5,539
Lease incentive receivable	–	650
	$ 70,899	$ 83,133
Liabilities		
Current		
Accounts payable	$ 10,039	$ 8,658
Security deposits (Note 3)	11,754	30,146
Accrued vacation	2,558	2,944
Current portion of deferred lease incentives	725	725
	25,076	42,473
Deferred lease incentives	4,698	5,424
Accrued pension liability (Note 6)	661	1,379
Total liabilities	30,435	49,276
Net Assets		
Net assets, beginning of year	33,857	21,712
Net operating results	6,607	12,145
Net assets, end of year	40,464	33,857
	$ 70,899	$ 83,133

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Energy and Utilities Board

Statement of Cash Flows

For the Year Ended March 31, 2003

(thousands of dollars)

	2003	2002
Operating Activities		
Net operating results	$ 6,607	$ 12,145
Non-cash expenses		
Pension (Note 6)	3,243	2,592
Amortization	6,135	4,036
Changes in operating non-cash working capital		
Accounts receivable	46	490
Prepaid expenses	(239)	(2)
Accounts payable	1,381	2,663
Accrued vacation	(386)	(146)
	16,787	21,778
Investing Activities		
Investment in capital assets	(12,321)	(14,649)
Financing Activities		
Lease incentives received	650	4,160
Lease incentives repaid	(726)	(728)
Pension obligations funded (Note 6)	(4,321)	(4,091)
	(4,397)	(659)
Net cash provided	69	6,470
Cash, beginning of year	16,839	10,369
Cash, end of year	$ 16,908	$ 16,839

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Energy and Utilities Board

Notes to the Financial Statements

March 31, 2003
(thousands of dollars)

Note 1

Authority and Purpose

The Alberta Energy and Utilities Board (EUB) operates under the authority of the Alberta Energy and Utilities Board Act, Chapter A-17, Revised Statutes of Alberta, 2000, as amended. The EUB's mission is to ensure that the discovery, development, and delivery of Alberta's resources takes place in a manner that is fair, responsible, and in the public interest.

Note 2

Significant Accounting Policies

These financial statements are prepared in accordance with the following significant accounting policies:

(a) Capital assets

All tangible and intangible assets with an economic life greater than one year are recorded at cost. These assets are then amortized using the following methods:

Computer software	Declining balance - 20 percent per year
Furniture and equipment	Straight line - 3 to 20 years
Computer hardware	Straight line - 3 to 5 years
Leasehold improvements	Straight line - Lease term to a maximum of 10 years

(b) Pension expense

i) EUB pension plans

Pension expense is actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the estimated average remaining service life of the related employee group (12 years). For the purpose of calculating the expected return, plan assets are valued at fair value.

ii) Multi-employer pension plans

Multi-employer defined benefit plans for which the EUB has insufficient information to apply defined benefit plan accounting are accounted for as defined contribution plans.

(c) Deferred lease incentives

Deferred lease incentives are amortized on a straight-line basis over the term of the lease.

(d) Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of accounts receivable, accounts payable and accrued vacation are estimated to approximate their carrying values.

(Note 2 continued)

(e) Grants

All grants provided by the Government of Alberta departments, boards and agencies are recognized as revenue in the year received.

Note 3

Abandonment and Enforcement

The EUB encourages the timely and proper abandonment and reclamation of upstream wells, facilities, pipelines, and oilfield waste management facilities by holding various forms of security. At March 31, 2003, the EUB held $11,754 (2002 - $30,146) in security deposits, and an additional $9,212 (2002 - $18,233) in other forms of security being primarily letters of credit. The security, along with any interest earned, will be returned to the depositor upon meeting specified refund criteria.

If a licensee is reluctant, or unable, to complete proper abandonment operations when required, the EUB has the authority to enforce compliance. For the year ended March 31, 2003 the EUB completed $2,666 (2002 - $2,040) of abandonment operations, and contributed $8,439 (2002 - $582) to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association. This association has been delegated the authority to manage the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct licensees.

Note 4

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide interest income at competitive rates while maintaining maximum security and liquidity of depositors' capital.

Note 5

Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	$ 31,452	$ 14,348	$ 17,104	$ 9,942
Software under development	4,096	–	4,096	5,207
Computer hardware	8,776	5,358	3,418	3,719
Furniture and equipment	5,672	2,274	3,398	3,296
Leasehold improvements	6,324	1,544	4,780	4,446
Land	320	–	320	320
	$ 56,640	$ 23,524	$ 33,116	$ 26,930

Note 6

Pension

The EUB participates in the Management Employees Pension Plan, Public Service Pension Plan, and Supplementary Retirement Plan for Public Service Managers, which are multi-employer pension plans. The expense for these pension plans is equal to the annual contributions of $2,670 for the year ended March 31, 2003 (2002: $2,401).

In addition, the EUB maintains a defined benefit Senior Employees Pension Plan and Supplementary Benefit Plans to compensate senior staff who do not participate in the government management pension plans. Pension fund assets for these plans are invested in high quality bonds and Canadian equities.The significant actuarial assumptions adopted in measuring the accrued benefit obligations for these plans are as follows:

	2003	2002
Discount rate	7.1%	6.8%
Expected return on plan assets	3.9% to 7.8%	4.2% to 8.4%
Rate of compensation increase	4.5%	4.5%

Additional information about the defined benefit plans are as follows:

	2003	2002
EUB contribution	$ 1,651	$ 1,690
Employees' contribution	250	265
Benefits paid	675	533
Pension expense	573	191

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	Senior Employees Pension Plan		Supplementary Benefit Plans	
	2003	2002	2003	2002
Plan assets at fair value	$ 13,084	$ 14,511	$ 2,500	$ 1,582
Accrued benefit obligation	12,373	11,902	3,442	3,238
Plan surplus (liability)	711	2.609	(942)	(1,656)
Unamortized amounts	5,188	2,930	281	277
Accrued pension asset (liability)	$ 5,899	$ 5,539	$ (661)	$ (1,379)

Note 7

Future Operating Lease Commitments

The EUB leases office premises under operating leases that expire on various dates. The EUB has received cash incentives as a component of certain leases, and these incentives will reduce future lease costs. The future minimum lease payments, net of lease incentives, are as follows:

2003 - 2004	$ 4,847
2004 - 2005	4,823
2005 - 2006	4,833
2006 - 2007	4,783
2007 - 2008	4,724
Thereafter	15,362
	$ 39,372

Note 8

Related Party Transactions

The EUB paid $3,952 (2002 - $3,183) to various other Government of Alberta organizations for supplies and services during the fiscal year. Included in these services was a payment of $412 (2002 - $412) for the lease of a research facility from Alberta Infrastructure. The remaining term of this lease is eighty-three years and the future payments are $412 to 2009 and $48 to 2086 annually.

The EUB received $28,601 (2002 - $28,565) in grants and $780 (2002 - $474) in service revenue from other Government of Alberta organizations. In addition, the EUB received the benefit of additional services from other government organizations in kind with an estimated value of $68 (2002 - $107) that are not reflected within the Statement of Operations.

Note 9

Approval of Financial Statements

These financial statements were approved by the Board of the EUB on May 26, 2003.

Alberta Energy and Utilities Board

Schedule of Energy Regulation Expenses

For the Year Ended March 31, 2003

(thousands of dollars)

Schedule 1

	2003	2002
Personnel	$ 59,360	$ 54,611
Buildings	7,943	7,927
Consulting services	6,681	5,559
Amortization	6,135	4,036
Computer services	4,526	3,642
Travel and transportation	2,924	2,852
Abandonment and enforcement (Note 3)	2,666	2,040
Administrative	2,445	2,605
Equipment rent and maintenance	601	593
Other	148	178
	$ 93,429	$ 84,043

Alberta Energy and Utilities Board

Schedule of Salary and Benefits for Board Members

For the Year Ended March 31, 2003

(thousands of dollars)

Schedule 2

	2003			2002
	Salary [a]	Benefits and Allowances [b]	Total	Total
Chairman	$ 218	$ 73	$ 291	$ 235
Board Member 1	140	61	201	181
Board Member 2 [c]	140	45	185	42
Board Member 3	140	41	181	165
Board Member 4	140	41	181	165
Board Member 5	140	38	178	163
Board Member 6	140	28	168	159
Board Member 7 [c]	140	25	165	38
Board Member 8	140	24	164	158
Board Member 9 [d]	–	–	–	120

(a) Includes all paid and payable salary and bonuses.

(b) Includes the EUB's share of all payments to, or on behalf of, Board Members, including pension, insurance, health benefits, professional membership, and payments in lieu of vacation. Automobiles were provided, but no amount is included in these figures.

(c) Board Member was appointed in 2002.

(d) Board Member ceased employment in 2002.

Alberta Energy and Utilities Board

Schedule of Revenues and Expenditures

For the year ended March 31, 2003

(thousands of dollars)

Schedule 3

	Plan			
	Budget (Estimate)	**Changes**	**Authorized Budget**	**Actual**
Revenues				
Industry levies and assessments	$ 65,991	$ 6,000	$ 71,991	$ 70,936
Provincial grants	27,081	1,450	28,531	28,601
Information, services and fees	5,494	2,100	7,594	7,787
Investment	1,400	–	1,400	1,151
	99,966	9,550	109,516	108,475
Expenditures				
Energy regulation	87,071	8,550	95,621	93,429
Orphan abandonment	4,000	4,000	8,000	8,439
	91,071	12,550	103,621	101,868
Net capital investment	8,895	(3,000)	5,895	6,186
	99,966	9,550	109,516	108,054
Revenues in Excess of Expenditures	$ –	$ –	$ –	$ 421

Note: The Budget is based on the EUB Business Plan for the year ended March 31, 2003. The Budget and Changes have been authorized by Treasury Board.

Alberta Petroleum Marketing Commission: Financial Statements

December 31, 2002

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Changes in Financial Position

Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the Alberta Petroleum Marketing Commission

I have audited the statement of financial position of the Alberta Petroleum Marketing Commission as at December 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta

April 14, 2003

Alberta Petroleum Marketing Commission:

Statement of Operations

For the year ended December 31, 2002

(in thousands)

	2002	2001
Crude oil revenue	$ 1,329,006	$ 1,510,443
Expense		
Other crude oil purchases	114,873	104,039
Purchases under exchange agreements	127,444	189,373
Transportation	52,939	73,174
Marketing fees	1,648	1,844
	296,904	368,430
Excess of revenue over expense	1,032,102	1,142,013
Other revenue		
Interest earned	154	342
Other	2	18
	156	360
Net revenue to transfer to the Province of Alberta	1,032,258	1,142,373
Due to the Province of Alberta, beginning of year	73,846	140,693
Cash transferred to the Province of Alberta	(983,435)	(1,209,220)
Due to the Province of Alberta, end of year	$ 122,669	$ 73,846

The accompanying notes are part of these financial statements.

Alberta Petroleum Marketing Commission:

Statement of Financial Position

As at December 31, 2002

(in thousands)

	2002	2001
Assets		
Cash and short-term investments (Note 3)	$ 6,015	$ 3,981
Accounts receivable	121,994	64,698
Inventory	29,779	29,216
	$ 157,788	$ 97,895
Liabilities		
Accounts Payable (Note 4)	$ 35,119	$ 24,049
Due to the Province of Alberta	122,669	73,846
	$ 157,788	$ 97,895

Alberta Petroleum Marketing Commission:

Statement of Changes in Financial Position

For the year ended December 31, 2002

(in thousands)

	2002	2001
Cash provided by operating activities		
Net revenue to transfer to the Province of Alberta	$ 1,032,258	$ 1,142,373
Change in non-cash working capital		
Accounts receivable	(57,296)	56,337
Inventory	(563)	10,855
Accounts payable	11,070	(5,252)
Cash provided	985,469	1,204,313
Cash transferred to the Province of Alberta	(983,435)	(1,209,220)
Net increase in Cash	2,034	(4,907)
Cash at beginning of year	3,981	8,888
Cash at end of year	$ 6,015	$ 3,981

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Petroleum Marketing Commission:

Notes to the Financial Statements

For the year ended December 31, 2002

(in thousands)

Note 1

Authority

The Alberta Petroleum Marketing Commission (the "Commission") operates under the authority of the Petroleum Marketing Act, Chapter P-10, Revised Statutes of Alberta 2000, and the Natural Gas Marketing Act, Chapter N-1, Revised Statutes of Alberta 2000. This legislation designates the Commission as agent of the Province of Alberta to accept delivery of and market the Crown royalty share of crude oil.

Note 2

Significant Accounting Policies

(a) Crude Oil Revenue

The Commission accepts delivery of crude oil, which it markets through agents. Revenue is recognized when the Commission accepts delivery of crude oil. Revenue reflects the net financial results of the agents' marketing activities. Purchases by the agents to satisfy sales requirements as well as trunk line transportation costs are netted against final sales proceeds. The agents remit revenue to the Commission in Canadian funds

(b) Inventory

Inventory represents Crown Royalty oil in feeder and trunk pipelines. At the balance sheet date inventories are stated at net realizable value.

(c) Valuation of Financial Instruments

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of accounts receivable, accounts payable, and due to the Province of Alberta are estimated to approximate their book values at December 31, 2002.

Note 3

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Note 4

Accounts Payable

	2002	2001
Transportation and purchases	$ 29,064	$ 20,498
Goods and services tax	6,055	3,551
	$ 35,119	$ 24,049

Note 5

Commitments

The Commission has allocated a portion of its anticipated pipeline requirements to firm transportation agreements expiring in March 2012. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contracted rates. The aggregate estimated commitment at December 31, 2002 is $97,180 (2001 - $109,044). This commitment will be paid from future oil royalty revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs.

Note 6

Related Party Transactions

The Commission accepts delivery of and markets the Crown royalty share of crude oil. The Commission remits the proceeds from the sale of the Crown royalty share of crude oil to the Department of Energy.

Note 7

Approval of Financial Statements

The Commission has approved these financial statements.

Alphabetical List Of Entities' Financial Statements In Ministry 2001-02 Annual Reports

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation, The	Community Development
Alberta Insurance Council	Finance
Alberta Municipal Financing Corporation	Finance
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Awasak Child and Family Services Authority	
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority Region 13	
Child and Family Services Authority Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	
Ma' Mowe Capital Region Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw-Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	

Ministry, Department, Fund or Agency	Ministry Annual Report
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCore Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure1	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice[1]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation[1]	Transportation
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development

Ministry, Department, Fund or Agency	Ministry Annual Report
Persons with Developmental Disabilities Community Boards	
Calgary Community Board	Community Development
Central Community Board	Community Development
Edmonton Community Board	Community Development
Northeast Community Board	Community Development
Northwest Community Board	Community Development
South Community Board	Community Development
Persons with Developmental Disabilities Foundation[2]	Community Development
Persons with Developmental Disabilities Michener Centre Facility Board	Community Development
Persons with Developmental Disabilities Provincial Board	Community Development
Provincial Judges and Masters in Chambers Reserve Fund	Finance
S C Financial Ltd.	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation, The	Community Development

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Universities Academic Pension Plan	Finance
Workers' Compensation Board	Human Resources and Employment

2 Dissolved June 2001.

1 Ministry includes only the Department so separate Department financial statements are not necessary.

Additional Information

For additional copies, contact:

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640 – 5 Avenue SW
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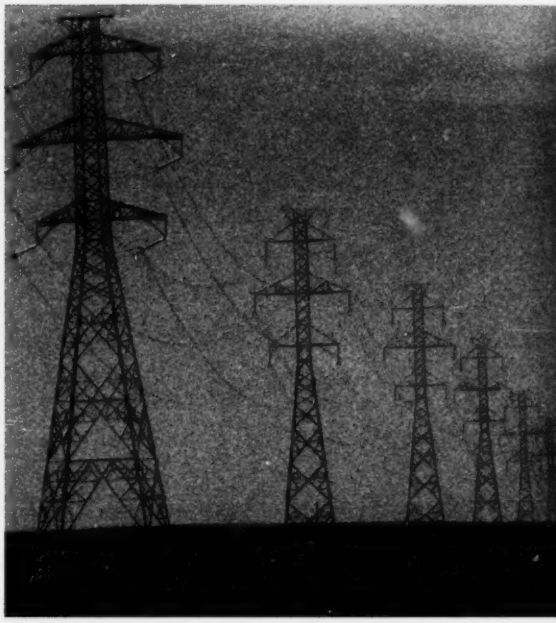

The Ministry of Energy Annual Report 2002-2003 is available on the following Web site:
http://www.energy.gov.ab.ca/depart/how/2002_2003/index.htm

Current information about the organizations that were part of the Ministry of Energy in 2002-2003 is available at the following Web sites:

For the Alberta Department of Energy:

http://www.energy.gov.ab.ca
e-mail: http://www.energy.gov.ab.ca/depart/fback/index.htm

For the Alberta Energy and Utilities Board:

http://www.eub.gov.ab.ca;
e-mail: eub.info_services@eub.gov.ab.ca

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